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SENATE BILL

No. 14

**Introduced by Senators Simitian, Kehoe, Padilla, and Steinberg
(Coauthors: Senators Alquist, DeSaulnier, Leno, Lowenthal,
Romero, Strickland, and Wiggins)**

December 1, 2008

An act to add Section 705 to the Fish and Game Code, to amend Sections 25740, 25740.5, 25741, 25742, 25746, 25747, and 25751 of the Public Resources Code, and to amend Sections 399.2.5, 399.11, 399.12, 399.17, and 454.5 of, to amend and renumber ~~Sections~~ *Section* 399.16 ~~and 747~~ of, to amend, renumber, and add Section 399.13 of, to add Sections 399.18, 399.22, 399.26, 399.30, 399.31, 911, and 1005.1 to, to add the heading of Article 11 (commencing with Section 910) to Chapter 4 of Part 1 of Division 1 of, to repeal Section 387 of, and to repeal and add Sections 399.14 and 399.15 of, the Public Utilities Code, relating to energy, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 14, as amended, Simitian. Utilities: Renewable energy resources.

(1) Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical

corporations, as defined. Existing law requires the PUC to require the state's 3 largest electrical corporations, Pacific Gas and Electric Company, San Diego Gas and Electric, and Southern California Edison, to identify a separate electrical rate component to fund programs that enhance system reliability and provide in-state benefits. This rate component is a nonbypassable element of local distribution and collected on the basis of usage. Existing PUC resolutions refer to the nonbypassable rate component as a "public goods charge." The public goods charge moneys are collected to support cost-effective energy efficiency and conservation activities, public interest research and development not adequately provided by competitive and regulated markets, and renewable energy resources.

The existing Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission (Energy Commission). Existing law establishes the Renewable Resource Trust Fund as a fund that is continuously appropriated, with certain exceptions for administrative expenses, in the State Treasury and requires that certain moneys collected to support renewable energy resources through the public goods charge are deposited into the fund and authorizes the Energy Commission to expend the moneys pursuant to the Renewable Energy Resources Program. The program states the intent of the Legislature to increase the amount of electricity generated from eligible renewable energy resources per year so that amount equals at least 20% of total retail sales of electricity in California per year by December 31, 2010.

This bill would revise the Renewable Energy Resources Program to state the intent of the Legislature to increase the amount of electricity generated from eligible renewable energy resources per year, so that amount equals at least ~~20%~~ 33% of total retail sales of electricity in California per year ~~by December 31, 2010, and 33% by December 31, 2020.~~ The bill would revise certain eligibility criteria for an instate renewable electricity generation facility pursuant to the program.

(2) Existing law expresses the intent of the Legislature, in establishing the California Renewables Portfolio Standard Program (RPS program), to increase the amount of electricity generated per year from eligible renewable energy resources, as defined, to an amount that equals at least 20% of the total electricity sold to retail customers in California per year by December 31, 2010.

This bill would express the ~~additional~~ intent that the amount of electricity generated per year from eligible renewable energy resources is increased to an amount that equals at least ~~33%~~ 20% of the total electricity sold to retail customers in California per year by *December 31, 2012, and 33% by December 31, 2020*.

(3) The Public Utilities Act imposes various duties and responsibilities on the PUC with respect to the purchase of electricity and requires the PUC to review and adopt a procurement plan and a renewable energy procurement plan for each electrical corporation, as defined, pursuant to the RPS program. The RPS program requires that a retail seller of electricity, including electrical corporations, community choice aggregators, and electric service providers, but not including local publicly owned electric utilities, purchase a specified minimum percentage of electricity generated by eligible renewable energy resources in any given year as a specified percentage of total kilowatthours sold to retail end-use customers each calendar year. The RPS program requires the PUC to implement annual procurement targets for each retail seller to increase its total procurement of electricity generated by eligible renewable energy resources by at least an additional 1% of retail sales per year so that 20% of its retail sales of electricity are procured from eligible renewable energy resources no later than December 31, 2010. Existing law requires the PUC to make a determination of the existing market cost for electricity, which PUC decisions call the market price referent, and to limit an electrical corporation's obligation to procure electricity from eligible renewable energy resources, that exceeds the market price referent, to an amount collected through the renewable energy public goods charge.

This bill would instead require the PUC to require that a retail seller procure the following percentages of electricity from eligible renewable energy resources by the following ~~times~~ *dates*: (A) 20% by December 31, 2012; (B) 23% by December 31, 2014; (C) 26% by December 31, 2016; (D) 30% by December 31, 2018; and (E) 33% by December 31, 2020. The bill would authorize the PUC to permit a retail seller to delay compliance with (A), (B), (C), and (D) procurement levels when specified circumstances are present, but would not authorize the PUC to permit a retail seller to delay compliance with the (E) procurement level. The bill would delete the existing market price referent provisions and instead require the PUC to establish a methodology to determine the market price of electricity for terms corresponding to the length of contracts with eligible renewable energy resources, in consideration of,

and reflecting, certain matters. The bill would require the PUC to establish a limitation on the annual expenditures made above the market price, by an electrical corporation, in order to achieve the procurement levels established by the PUC. The bill would require the PUC to permit an electrical corporation to limit its procurement of electricity from eligible renewable energy resources to that quantity that can be procured at or below the market prices established by the PUC, up to the limitation. The bill would delete an existing requirement that the PUC adopt flexible rules for compliance for retail sellers and would instead require the PUC to adopt rules permitting retail sellers to apply excess procurement in one year to subsequent years.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the PUC is a crime.

Because the provisions of this bill are within the act and require action by the PUC to implement its requirements, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime.

(4) Under existing law, the governing board of a local publicly owned electric utility is responsible for implementing and enforcing a renewables portfolio standard for the utility that recognizes the intent of the Legislature to encourage renewable resources, while taking into consideration the effect of the standard on rates, reliability, and financial resources and the goal of environmental improvement.

This bill would repeal this provision and instead make certain of the requirements of the RPS program, as discussed below, applicable to local publicly owned electric utilities. By placing additional requirements upon local publicly owned electric utilities, the bill would impose a state-mandated local program.

(5) Existing law requires the Energy Commission to certify eligible renewable energy resources, to design and implement an accounting system to verify compliance with the RPS requirements by retail sellers, and to develop tracking, accounting, verification, and enforcement mechanisms for renewable energy credits, as defined.

This bill would require the Energy Commission to design and implement an accounting system to verify compliance with the RPS requirements by retail sellers and local publicly owned electric utilities. The bill would require the Energy Commission, among other things, to adopt regulations for the enforcement of the RPS program with respect to a local publicly owned electric utility, would require, by October 30, 2010, at a noticed public meeting and in consultation with the State Air

~~Resources Board, to establish an RPS requiring each local publicly owned electric utility to procure a minimum quantity of electricity generated by eligible renewable energy resources as a specified percentage of total kilowatthours sold to the utility's retail end-use customers each calendar year specifying procedures for enforcement of the RPS requirements that include a public process under which the Energy Commission is authorized to issue a notice of violation and correction with respect to a local publicly owned electric utility and for referral to the State Air Resources Board for penalties imposed pursuant to the California Global Warming Solutions Act of 2006. The bill would require that the RPS established for a local publicly owned electric utility be consistent with certain targets and purposes that are applicable to retail sellers require it to procure the following percentages of electricity from eligible renewable energy resources by the following dates: (A) 20% by December 31, 2012; (B) 23% by December 31, 2014; (C) 26% by December 31, 2016; (D) 30% by December 31, 2018; and (E) 33% by December 31, 2020. The bill would require the utility to adopt and implement a renewable energy resources procurement plan that, at a minimum, complies with the RPS adopted for the utility by the Energy Commission, would provide that the local publicly owned electric utility retains discretion with respect to certain matters in complying with the RPS, would require that certain notices be given by the utility when adopting and periodically revising its procurement plan, and would require the utility to report certain information relative to RPS compliance to the Energy Commission and its customers. The bill would require the Energy Commission, in order to meet the requirements of the RPS program, undertake certain measures in order to substantially increase the amounts of electricity generated by eligible renewable energy resources integrated with and interconnected to specified transmission grids.~~

(6) Existing law requires that an electrical corporation's proposed procurement plan include certain elements, including a showing that the electrical corporation will, in order to fulfill its unmet resource needs, until a 20% renewable resources portfolio is achieved, procure renewable energy resources with the goal of ensuring that at least an additional 1% per year of the electricity sold by the electrical corporation is generated from eligible renewable energy resources, provided sufficient funds are made available to cover the above-market costs for new renewable energy resources pursuant to certain provisions of the Renewable Energy Resources Program.

This bill would require that an electrical corporation's proposed procurement plan include a showing that the electrical corporation will, in order to fulfill its unmet resource needs, procure resources from eligible renewable energy resources in an amount sufficient to meet its procurement requirements pursuant to the RPS program.

(7) Existing law requires the PUC to prepare and submit to the Governor and the Legislature a written report annually before February 1 of each year on the costs of programs and activities conducted by an electrical corporation or gas corporation that have more than a specified number of customers in California.

The bill would require the PUC to prepare and submit to the policy and fiscal committees of the Legislature, annually before February 1 of each year, a report on (a) all electrical corporation revenue requirement increases associated with meeting the renewables portfolio standard, (b) all cost savings experienced, or costs avoided, by electrical corporations as a result of meeting the renewables portfolio standard, (c) all costs incurred by electrical corporations for incentives for distributed and renewable generation, (d) all cost savings experienced, or costs avoided, by electrical corporations as a result of incentives for distributed generation and renewable generation, (e) specified costs for which an electrical corporation is seeking recovery in rates that are pending determination or approval by the PUC, (f) the decision number of each PUC decision in the prior year authorizing an electrical corporation to recover costs incurred in rates, and (g) any changes in the prior year in load serviced by an electrical corporation.

(8) The Public Utilities Act prohibits any electrical corporation from beginning the construction of, among other things, a line, plant, or system, or of any extension thereof, without having first obtained from the PUC a certificate that the present or future public convenience and necessity require or will require that construction, termed a certificate of public convenience and necessity. Existing law requires the PUC, in acting upon an application by an electrical corporation for a certificate of public convenience and necessity, to deem new transmission facilities necessary to the provision of electric service if the PUC finds that new transmission facilities are necessary to facilitate achievement of the renewable power goals established under the RPS program. Existing law requires the PUC, upon finding that new transmission facilities are necessary to facilitate achievement of the renewable power goals established under the RPS, to take all feasible actions to ensure that the transmission rates established by the Federal Energy Regulatory

Commission (FERC) are fully reflected in any retail rates established by the PUC.

This bill would require the PUC to ~~approve~~ *issue a decision on* an application for a certificate of public convenience and necessity within ~~one year~~ *18 months* of the filing of a completed application under specified circumstances ~~and would authorize the PUC, if it finds the costs are justified pursuant to the statutory requirements for approving a rate increase, to allow recovery of certain transmission costs incurred by an electrical corporation.~~

(9) The existing restructuring of the electrical industry within the Public Utilities Act provides for the establishment of an Independent System Operator (ISO). Existing law requires the ISO to ensure efficient use and reliable operation of the transmission grid consistent with achieving planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the American Electric Reliability Council. Pursuant to existing law, the ISO's tariffs are required to be approved by the FERC.

This bill would require the ISO to undertake all feasible efforts to do certain things and seek the approval of the FERC, if necessary, including adjusting its market structure to achieve, in the most cost-effective manner possible, the increased amount of electricity to be generated by eligible renewable energy resources. The bill would require the PUC to approve reasonable and cost-effective transmission and power line investments that are not under the ratemaking authority of the FERC that are necessary to enable electricity generated by eligible renewable energy resources to be delivered to retail sellers and local publicly owned electric utilities.

(10) Existing law establishes the Department of Fish and Game in the Natural Resources Agency, and generally charges the department with the administration and enforcement of the Fish and Game Code.

This bill would require the department to establish an internal division with the primary purpose of performing comprehensive planning and ~~streamlined~~ environmental compliance services with priority given to projects involving the building of eligible renewable energy resources.

(11) Existing law grants the Energy Commission the exclusive authority to certify any stationary or floating electrical generating facility using any source of thermal energy, with a generating capacity of 50 megawatts or more, and any facilities appurtenant thereto. Existing law prohibits the construction of any thermal powerplant or facilities appurtenant thereto or modification of any existing thermal powerplant

and appurtenant facility without first obtaining certification from the Energy Commission. Each person proposing to construct a thermal powerplant or electric transmission line on a site is required to submit an application to the Energy Commission. The Energy Commission is required to prescribe the form and content of applications for facilities and to formally act to approve or disapprove applications, including specifying conditions under which approval and continuing operation of any facility is permitted.

This bill would require the Energy Commission to develop a concurrent application review process with the Department of Fish and Game for eligible renewable energy resources with the goal of reducing the time required to complete certification and compliance with the California Environmental Quality Act for eligible renewable energy resources that are within a competitive renewable energy zone.

(12) This bill would appropriate \$322,000 from the Public Utilities Commission Utilities Reimbursement Account to the PUC for additional staffing to identify, review, and approve transmission lines reasonably necessary or appropriate to facilitate achievement of the renewables portfolio standard and would state the intent of the Legislature to appropriate additional moneys to the Energy Commission and Department of Fish and Game for other specified purposes.

(13) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 705 is added to the Fish and Game Code,
- 2 to read:
- 3 705. (a) For purposes of this section, “eligible renewable
- 4 energy resources” has the same meaning as in the California
- 5 Renewables Portfolio Standard Program (Article 16 (commencing
- 6 with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the
- 7 Public Utilities Code).
- 8 (b) The department shall establish an internal division with the
- 9 primary purpose of performing comprehensive planning and

1 ~~streamlined~~ environmental compliance services with priority given
2 to projects involving the building of eligible renewable energy
3 resources.

4 (c) The internal division shall ensure the timely completion of
5 plans pursuant to the Natural Community Conservation Planning
6 Act (Chapter 10 (commencing with Section 2800) of Division 3);
7 ~~that embody the balancing of project assurances with ecosystem~~
8 ~~protections..~~

9 SEC. 2. Section 25740 of the Public Resources Code is
10 amended to read:

11 25740. The Legislature finds and declares that the State Air
12 Resources Board has identified a statewide 33 percent renewables
13 portfolio standard as a key measure to comply with the
14 requirements of the California Global Warming Solutions Act of
15 2006. It is the intent of the Legislature in establishing this program,
16 to increase the amount of electricity generated from eligible
17 renewable energy resources per year, so that it equals at least 20
18 33 percent of total retail sales of electricity in California per year
19 ~~by December 31, 2010, and 33 percent by December 31, 2020.~~

20 SEC. 3. Section 25740.5 of the Public Resources Code is
21 amended to read:

22 25740.5. (a) The commission shall optimize public investment
23 and ensure that the most cost-effective and efficient investments
24 in renewable energy resources are vigorously pursued.

25 (b) The commission's long-term goal shall be a fully competitive
26 and self-sustaining supply of electricity generated from renewable
27 sources.

28 (c) The program objective shall be to increase, in the near term,
29 the quantity of California's electricity generated by renewable
30 electrical generation facilities located in this state, while protecting
31 system reliability, fostering resource diversity, and obtaining the
32 greatest environmental benefits for California residents.

33 (d) An additional objective of the program shall be to identify
34 and support emerging renewable technologies in distributed
35 generation applications that have the greatest near-term commercial
36 promise and that merit targeted assistance.

37 (e) The Legislature recommends allocations among all of the
38 following:

39 (1) Rebates, buydowns, or equivalent incentives for emerging
40 renewable technologies.

1 (2) Customer education.

2 (3) Production incentives for reducing fuel costs, that are
3 confirmed to the satisfaction of the commission, at solid fuel
4 biomass energy facilities in order to provide demonstrable
5 environmental and public benefits, including improved air quality.

6 (4) Solar thermal generating resources that enhance the
7 environmental value or reliability of the electrical system and that
8 require financial assistance to remain economically viable, as
9 determined by the commission. The commission may require
10 financial disclosure from applicants for purposes of this paragraph.

11 (5) Specified fuel cell technologies, if the commission makes
12 all of the following findings:

13 (A) The specified technologies have similar or better air
14 pollutant characteristics than renewable technologies in the report
15 made pursuant to Section 25748.

16 (B) The specified technologies require financial assistance to
17 become commercially viable by reference to wholesale generation
18 prices.

19 (C) The specified technologies could contribute significantly
20 to the infrastructure development or other innovation required to
21 meet the long-term objective of a self-sustaining, competitive
22 supply of electricity generated from renewable sources.

23 (6) Existing wind-generating resources, if the commission finds
24 that the existing wind-generating resources are a cost-effective
25 source of reliable energy and environmental benefits compared
26 with other renewable electrical generation facilities located in this
27 state, and that the existing wind-generating resources require
28 financial assistance to remain economically viable. The commission
29 may require financial disclosure from applicants for the purposes
30 of this paragraph.

31 (f) Notwithstanding any other provision of law, moneys
32 collected for renewable energy pursuant to Article 15 (commencing
33 with Section 399) of Chapter 2.3 of Part 1 of Division 1 of the
34 Public Utilities Code shall be transferred to the Renewable
35 Resource Trust Fund. Moneys collected between January 1, 2007,
36 and January 1, 2012, shall be used for the purposes specified in
37 this chapter.

38 SEC. 4. Section 25741 of the Public Resources Code is
39 amended to read:

25741. As used in this chapter, the following terms have the following meaning:

(a) “Delivered” and “delivery,” ~~with respect to electricity generated by a renewable electrical generation facility, means that the electricity is used to serve end-use retail customers located within the state. Subject to verification by the accounting system established by the commission pursuant to subdivision (b) of Section 399.25 of the Public Utilities Code, electricity shall be deemed delivered if it is either generated at a location within the state, or generated at a location outside the state and scheduled for simultaneous consumption by California end-use retail customers. For these purposes, simultaneous consumption results from the physical delivery of electricity generated by the renewable electrical generation facility that is scheduled for transmission to customers served by a balancing authority primarily located in this state at the same time that the electricity is generated. Simultaneous consumption occurs if a renewable electrical generation facility has its first point of interconnection within a transmission network controlled by a balancing authority primarily located within this state. Electricity is not scheduled for simultaneous consumption to the extent that the physical delivery of electricity to customers is from the purchase or supply of electricity from a source other than the renewable electrical generation facility or if the electricity is scheduled for delivery to customers at a time different from the time of generation.~~ *have the same meaning as defined in Section 399.12 of the Public Utilities Code.*

(b) “Procurement entity” means any person or corporation that enters into an agreement with a retail seller to procure eligible renewable energy resources pursuant to subdivision (f) of Section 399.14 of the Public Utilities Code.

(c) “Renewable electrical generation facility” means a facility that meets all of the following criteria:

(1) The facility uses biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave, ocean thermal, or tidal current, and any additions or enhancements to the facility using that technology.

(2) The facility satisfies one of the following requirements:

1 (A) The facility is located in the state or near the border of the
2 state with the first point of connection to the transmission network
3 within this state and electricity produced by the facility is delivered
4 to an in-state location.

5 (B) The facility has its first point of interconnection to the
6 transmission network outside the state and satisfies all of the
7 following requirements:

8 (i) It is connected to the transmission network within the
9 Western Electricity Coordinating Council (WECC) service
10 territory.

11 (ii) It commences initial commercial operation after January 1,
12 2010.

13 (iii) It will not cause or contribute to any violation of a California
14 environmental quality standard or requirement.

15 (iv) If the facility is outside of the United States, it is developed
16 and operated in a manner that is as protective of the environment
17 as a similar facility located in the state.

18 (v) It participates in the accounting system to verify compliance
19 with the renewables portfolio standard once established by the
20 commission pursuant to subdivision (b) of Section 399.25 of the
21 Public Utilities Code.

22 (C) The facility meets the requirements of clauses (i), (iii), (iv),
23 and (v) of subparagraph (B), but does not meet the requirements
24 of clause (ii) of subparagraph (B) because it commenced initial
25 operation prior to January 1, 2010, if the facility satisfies either of
26 the following requirements:

27 (i) The electricity is from incremental generation resulting from
28 expansion or repowering of the facility.

29 ~~(ii) The electricity generated by the facility was sold to~~
30 *Electricity generated by the facility was procured by* a retail seller
31 or local publicly owned electric utility as of May 31, 2009.

32 (3) For the purposes of this subdivision, “solid waste
33 conversion” means a technology that uses a noncombustion thermal
34 process to convert solid waste to a clean-burning fuel for the
35 purpose of generating electricity, and that meets all of the following
36 criteria:

37 (A) The technology does not use air or oxygen in the conversion
38 process, except ambient air to maintain temperature control.

1 (B) The technology produces no discharges of air contaminants
2 or emissions, including greenhouse gases as defined in Section
3 38505 of the Health and Safety Code.

4 (C) The technology produces no discharges to surface or
5 groundwaters of the state.

6 (D) The technology produces no hazardous wastes.

7 (E) To the maximum extent feasible, the technology removes
8 all recyclable materials and marketable green waste compostable
9 materials from the solid waste stream prior to the conversion
10 process and the owner or operator of the facility certifies that those
11 materials will be recycled or composted.

12 (F) The facility at which the technology is used is in compliance
13 with all applicable laws, regulations, and ordinances.

14 (G) The technology meets any other conditions established by
15 the commission.

16 (H) The facility certifies that any local agency sending solid
17 waste to the facility diverted at least 30 percent of all solid waste
18 it collects through solid waste reduction, recycling, and
19 composting. For purposes of this paragraph, “local agency” means
20 any city, county, or special district, or subdivision thereof, which
21 is authorized to provide solid waste handling services.

22 (d) “Renewable energy public goods charge” means that portion
23 of the nonbypassable system benefits charge required to be
24 collected to fund renewable energy pursuant to the Reliable Electric
25 Service Investments Act (Article 15 (commencing with Section
26 399) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities
27 Code).

28 (e) “Report” means the report entitled “Investing in Renewable
29 Electricity Generation in California” (June 2001, Publication
30 Number P500-00-022) submitted to the Governor and the
31 Legislature by the commission.

32 (f) “Retail seller” means a “retail seller” as defined in Section
33 399.12 of the Public Utilities Code.

34 SEC. 5. Section 25742 of the Public Resources Code is
35 amended to read:

36 25742. (a) Twenty percent of the funds collected pursuant to
37 the renewable energy public goods charge shall be used for
38 programs that are designed to achieve fully competitive and
39 self-sustaining existing renewable electrical generation facilities
40 located in this state, and to secure for the state the environmental,

1 economic, and reliability benefits that continued operation of those
2 facilities will provide during the 2007–2011 investment cycle.
3 Eligibility for production incentives under this section shall be
4 limited to those technologies found eligible for funds by the
5 commission pursuant to paragraphs (3), (4), and (6) of subdivision
6 (e) of Section 25740.5.

7 (b) Any funds used to support renewable electrical generation
8 facilities located in this state pursuant to this section shall be
9 expended in accordance with the provisions of this chapter.

10 (c) Facilities that are eligible to receive funding pursuant to this
11 section shall be registered in accordance with criteria developed
12 by the commission and those facilities shall not receive payments
13 for any electricity produced that has any of the following
14 characteristics:

15 (1) Is sold at monthly average rates equal to, or greater than,
16 the applicable target price, as determined by the commission.

17 (2) Is used onsite.

18 (d) (1) Existing facilities located in this state generating
19 electricity from biomass energy shall be eligible for funding and
20 otherwise considered a renewable electrical generation facility
21 only if they report to the commission the types and quantities of
22 biomass fuels used.

23 (2) The commission shall report the types and quantities of
24 biomass fuels used by each facility to the Legislature in the reports
25 prepared pursuant to Section 25748.

26 (e) Each existing facility seeking an award pursuant to this
27 section shall be evaluated by the commission to determine the
28 amount of the funds being sought, the cumulative amount of funds
29 the facility has received previously from the commission and other
30 state sources, the value of any past and current federal or state tax
31 credits, the facility's contract price for energy and capacity, the
32 prices received by similar facilities, the market value of the facility,
33 and the likelihood that the award will make the facility competitive
34 and self-sustaining within the 2007–2011 investment cycle. The
35 commission shall use this evaluation to determine the value of an
36 award to the public relative to other renewable energy investment
37 alternatives. The commission shall compile its findings and report
38 them to the Legislature in the reports prepared pursuant to Section
39 25748.

1 SEC. 6. Section 25746 of the Public Resources Code is
2 amended to read:

3 25746. (a) One percent of the money collected pursuant to the
4 renewable energy public goods charge shall be used in accordance
5 with this chapter to promote renewable energy and disseminate
6 information on renewable energy technologies, including emerging
7 renewable technologies, and to help develop a consumer market
8 for renewable energy and for small-scale emerging renewable
9 energy technologies.

10 (b) If the commission provides funding for a regional accounting
11 system to verify compliance with the renewable portfolio standard
12 by retail sellers, pursuant to subdivision (b) of Section 399.25 of
13 the Public Utilities Code, the commission shall recover all costs
14 from user fees.

15 SEC. 7. Section 25747 of the Public Resources Code is
16 amended to read:

17 25747. (a) The commission shall adopt guidelines governing
18 the funding programs authorized under this chapter, at a publicly
19 noticed meeting offering all interested parties an opportunity to
20 comment. Substantive changes to the guidelines may not be
21 adopted without at least 10 days' written notice to the public. The
22 public notice of meetings required by this subdivision may not be
23 less than 30 days. Notwithstanding any other provision of law, any
24 guidelines adopted pursuant to this chapter or Section 399.25 of
25 the Public Utilities Code, shall be exempt from the requirements
26 of Chapter 3.5 (commencing with Section 11340) of Part 1 of
27 Division 3 of Title 2 of the Government Code. The Legislature
28 declares that the changes made to this subdivision by the act
29 amending this section during the 2002 portion of the 2001–02
30 Regular Session are declaratory of, and not a change in existing
31 law.

32 (b) Funds to further the purposes of this chapter may be
33 committed for multiple years.

34 (c) Awards made pursuant to this chapter are grants, subject to
35 appeal to the commission upon a showing that factors other than
36 those described in the guidelines adopted by the commission were
37 applied in making the awards and payments. Any actions taken
38 by an applicant to apply for, or become or remain eligible and
39 registered to receive, payments or awards, including satisfying

1 conditions specified by the commission, shall not constitute the
2 rendering of goods, services, or a direct benefit to the commission.

3 (d) An award made pursuant to this chapter, the amount of the
4 award, and the terms and conditions of the grant are public
5 information.

6 SEC. 8. Section 25751 of the Public Resources Code is
7 amended to read:

8 25751. (a) The Renewable Resource Trust Fund is hereby
9 created in the State Treasury.

10 (b) The following accounts are hereby established within the
11 Renewable Resource Trust Fund:

12 (1) Existing Renewable Resources Account.

13 (2) Emerging Renewable Resources Account.

14 (3) Renewable Resources Consumer Education Account.

15 (c) The money in the fund may be expended, only upon
16 appropriation by the Legislature in the annual Budget Act, for the
17 following purposes:

18 (1) The administration of this article by the state.

19 (2) The state's expenditures associated with the accounting
20 system established by the commission pursuant to subdivision (b)
21 of Section 399.25 of the Public Utilities Code.

22 (d) That portion of revenues collected by electrical corporations
23 for the benefit of in-state operation and development of existing
24 and new and emerging renewable resource technologies, pursuant
25 to Section 399.8 of the Public Utilities Code, shall be transmitted
26 to the commission at least quarterly for deposit in the Renewable
27 Resource Trust Fund pursuant to Section 25740.5. After setting
28 aside in the fund money that may be needed for expenditures
29 authorized by the annual Budget Act in accordance with
30 subdivision (c), the Treasurer shall immediately deposit money
31 received pursuant to this section into the accounts created pursuant
32 to subdivision (b) in proportions designated by the commission
33 for the current calendar year. Notwithstanding Section 13340 of
34 the Government Code, the money in the fund and the accounts
35 within the fund are hereby continuously appropriated to the
36 commission without regard to fiscal year for the purposes
37 enumerated in this chapter.

38 (e) Upon notification by the commission, the Controller shall
39 pay all awards of the money in the accounts created pursuant to
40 subdivision (b) for purposes enumerated in this chapter. The

1 eligibility of each award shall be determined solely by the
2 commission based on the procedures it adopts under this chapter.
3 Based on the eligibility of each award, the commission shall also
4 establish the need for a multiyear commitment to any particular
5 award and so advise the Department of Finance. Eligible awards
6 submitted by the commission to the Controller shall be
7 accompanied by information specifying the account from which
8 payment should be made and the amount of each payment; a
9 summary description of how payment of the award furthers the
10 purposes enumerated in this chapter; and an accounting of future
11 costs associated with any award or group of awards known to the
12 commission to represent a portion of a multiyear funding
13 commitment.

14 (f) The commission may transfer funds between accounts for
15 cashflow purposes, provided that the balance due each account is
16 restored and the transfer does not adversely affect any of the
17 accounts.

18 (g) The Department of Finance shall conduct an independent
19 audit of the Renewable Resource Trust Fund and its related
20 accounts annually, and provide an audit report to the Legislature
21 not later than March 1 of each year for which this article is
22 operative. The Department of Finance's report shall include
23 information regarding revenues, payment of awards, reserves held
24 for future commitments, unencumbered cash balances, and other
25 matters that the Director of Finance determines may be of
26 importance to the Legislature.

27 SEC. 9. Section 387 of the Public Utilities Code is repealed.

28 SEC. 10. Section 399.2.5 of the Public Utilities Code is
29 amended to read:

30 399.2.5. (a) Notwithstanding Sections 1001 to 1013, inclusive,
31 an application of an electrical corporation for a certificate
32 authorizing the construction of new transmission facilities is
33 necessary to the provision of electric service for purposes of
34 Section 1003 if the commission finds that the new facility is
35 reasonably necessary or appropriate to facilitate achievement of
36 the renewables portfolio standard established in Article 16
37 (commencing with Section 399.11).

38 (b) With respect to a transmission facility described in
39 subdivision (a), the commission shall take all feasible actions to
40 ensure that the transmission rates established by the Federal Energy

1 Regulatory Commission are fully reflected in any retail rates
2 established by the commission. These actions shall include all of
3 the following:

4 (1) Making findings, where supported by an evidentiary record,
5 that those transmission facilities provide benefit to the transmission
6 network and are reasonably necessary or appropriate to facilitate
7 the achievement of the renewables portfolio standard established
8 in Article 16 (commencing with Section 399.11).

9 (2) Directing the utility to which the generator will be
10 interconnected, where the direction is not preempted by federal
11 law, to seek the recovery through general transmission rates of the
12 costs associated with the transmission facilities.

13 (3) Asserting the positions described in paragraphs (1) and (2)
14 to the Federal Energy Regulatory Commission in appropriate
15 proceedings.

16 (4) Providing assurance, prior to a determination of rate recovery
17 by the Federal Energy Regulatory Commission (FERC) of those
18 costs that are subject to FERC jurisdiction, of recovery in retail
19 rates of any increase in transmission costs incurred by an electrical
20 corporation resulting from the construction of the transmission
21 facilities to the extent these costs are not subsequently approved
22 for recovery in transmission rates by the FERC, after the
23 commission determines that the costs were prudently incurred in
24 accordance with subdivision (a) of Section 454.

25 (5) Allowing recovery in retail rates of any increase in
26 transmission costs if the FERC does not approve recovery of those
27 costs in the rates that are subject to FERC jurisdiction after the
28 commission determines that the costs were prudently incurred in
29 accordance with subdivision (a) of Section 454.

30 (c) (1) The commission shall approve an advice letter seeking
31 assurance of cost recovery pursuant to paragraph (4) of subdivision
32 (b), if either of the following are true:

33 (A) The new transmission line or facility will primarily deliver
34 electricity generated within a competitive renewable energy zone
35 identified in the public collaborative stakeholder planning process
36 known as the Renewable Energy Transmission Initiative (RETI)
37 and is consistent with a transmission project that the RETI process
38 has determined can be approved, financed, and built to provide
39 electricity generated by eligible renewable energy resources to

1 retail customers in the most cost-competitive and least
2 environmentally harmful ways.

3 (B) The new transmission line or facility is needed to deliver
4 electricity to load that is to be generated by generation facilities
5 for which the electrical corporation has received interconnection
6 requests if not less ~~that~~ *than* 50 percent of the capacity is for
7 delivery of electricity generated by eligible renewable energy
8 resources and all of the interconnection requests are for generation
9 facilities that are designed to comply with the greenhouse gases
10 emission performance standard established by the commission
11 pursuant to Chapter 3 (commencing with Section 8340) of Division
12 4.1.

13 (2) Approval of an advice letter pursuant to paragraph (1) is not
14 binding upon the commission in making its determination whether
15 or not to approve an application for a certificate of public
16 convenience and necessity pursuant to Chapter 5 (commencing
17 with Section 1001).

18 SEC. 11. Section 399.11 of the Public Utilities Code is
19 amended to read:

20 399.11. The Legislature finds and declares all of the following:

21 (a) In order to attain a target of generating 20 percent of total
22 retail sales of electricity in California from eligible renewable
23 energy resources by December 31, ~~2010~~ 2012, and 33 percent by
24 December 31, 2020, and for the purposes of increasing the
25 diversity, reliability, public health, and environmental benefits of
26 the energy mix, reducing emissions of greenhouse gases, and
27 promoting economic development it is the intent of the Legislature
28 that the commission and the Energy Commission implement the
29 California Renewables Portfolio Standard Program described in
30 this article.

31 (b) Increasing California's reliance on eligible renewable energy
32 resources may promote stable electricity prices, protect public
33 health, improve environmental quality, stimulate sustainable
34 economic development, create new employment opportunities,
35 and reduce reliance on imported fuels.

36 (c) The development of eligible renewable energy resources
37 and the delivery of the electricity generated by those resources to
38 customers in California may ameliorate air quality problems
39 throughout the state and improve public health by reducing the

1 burning of fossil fuels and the associated environmental impacts
2 and by reducing in-state fossil fuel consumption.

3 (d) The California Renewables Portfolio Standard Program is
4 intended to complement the Renewable Energy Resources Program
5 administered by the Energy Commission and established pursuant
6 to Chapter 8.6 (commencing with Section 25740) of Division 15
7 of the Public Resources Code.

8 (e) New and modified electric transmission facilities will be
9 necessary to facilitate the state achieving its renewables portfolio
10 standard targets.

11 ~~SEC. 10.~~

12 *SEC. 12.* Section 399.12 of the Public Utilities Code is amended
13 to read:

14 399.12. For purposes of this article, the following terms have
15 the following meanings:

16 (a) “Conduit hydroelectric facility” means a facility for the
17 generation of electricity that uses only the hydroelectric potential
18 of an existing pipe, ditch, flume, siphon, tunnel, canal, or other
19 manmade conduit that is operated to distribute water for a
20 beneficial use.

21 ~~(b) “Delivered” and “delivery” have the same meaning as~~
22 ~~provided in subdivision (a) of Section 25741 of the Public~~
23 ~~Resources Code.~~

24 (b) *“Delivered” and “delivery,” with respect to electricity*
25 *generated by a renewable electrical generation facility, means*
26 *that the electricity is used to serve retail end-use customers located*
27 *within the state. Subject to verification by the accounting system*
28 *established by the Energy Commission pursuant to subdivision (b)*
29 *of Section 399.25, electricity shall be deemed delivered if it is*
30 *either generated at a location within the state, or generated at a*
31 *location outside the state and scheduled for simultaneous*
32 *consumption by California end-use retail customers. For these*
33 *purposes, simultaneous consumption results from the physical*
34 *delivery of electricity generated by the renewable electrical*
35 *generation facility that is scheduled for transmission to customers*
36 *served by a balancing authority primarily located in this state at*
37 *the same time that the electricity is generated. Simultaneous*
38 *consumption occurs if a renewable electrical generation facility*
39 *has its first point of interconnection within a transmission network*
40 *controlled by a balancing authority primarily located within this*

1 *state. Electricity is not scheduled for simultaneous consumption*
 2 *to the extent that the physical delivery of electricity to customers*
 3 *is from the purchase or supply of electricity from a source other*
 4 *than the renewable electrical generation facility or if the electricity*
 5 *is scheduled for delivery to customers at a time different from the*
 6 *time of generation.*

7 (c) “Eligible renewable energy resource” means an electrical
 8 generating facility that meets the definition of a “renewable
 9 electrical generation facility” in Section 25741 of the Public
 10 Resources Code, and the electricity generated by the facility is
 11 delivered to a retail seller or local publicly owned electric utility,
 12 or the facility produces renewable energy credits or undelivered
 13 renewable energy credits, subject to the following:

14 (1) (A) An existing small hydroelectric generation facility of
 15 30 megawatts or less shall be eligible only if a retail seller or local
 16 publicly owned electric utility owned or procured the electricity
 17 from the facility as of December 31, 2005. A new hydroelectric
 18 facility is not an eligible renewable energy resource if it will cause
 19 an adverse impact on instream beneficial uses or cause a change
 20 in the volume or timing of streamflow.

21 (B) Notwithstanding subparagraph (A), a conduit hydroelectric
 22 facility of 30 megawatts or less that commenced operation before
 23 January 1, 2006, is an eligible renewable energy resource. A
 24 conduit hydroelectric facility of 30 megawatts or less that
 25 commences operation after December 31, 2005, is an eligible
 26 renewable energy resource so long as it does not cause an adverse
 27 impact on instream beneficial uses or cause a change in the volume
 28 or timing of streamflow.

29 (2) A facility engaged in the combustion of municipal solid
 30 waste shall not be considered an eligible renewable resource unless
 31 it is located in Stanislaus County and was operational prior to
 32 September 26, 1996.

33 (d) “Procure” means to purchase or own the eligible renewable
 34 energy resource. Nothing in this article is intended to imply that
 35 the purchase of electricity from third parties in a wholesale
 36 transaction is the preferred method of fulfilling a retail seller’s
 37 obligation to comply with this article or the obligation of a local
 38 publicly owned electric utility to meet its renewables portfolio
 39 standard implemented pursuant to Section 399.30.

(e) (1) “Renewable energy credit” means a certificate of proof associated with the generation of electricity from an eligible renewable energy resource, issued through the accounting system established by the Energy Commission pursuant to Section 399.25, that one unit of electricity was generated and delivered by an eligible renewable energy resource.

(2) “Renewable energy credit” includes all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource, except for an emissions reduction credit issued pursuant to Section 40709 of the Health and Safety Code and any credits or payments associated with the reduction of solid waste and treatment benefits created by the utilization of biomass or biogas fuels.

(3) (A) No electricity generated by an eligible renewable energy resource attributable to the use of nonrenewable fuels, beyond a de minimis quantity, as determined by the Energy Commission for each renewable energy technology, shall result in the creation of a renewable energy credit.

(B) No electricity generated by a small hydroelectric generation facility shall result in the creation of a renewable energy credit unless the facility meets the requirements of subparagraph (A) of paragraph (1) of subdivision (c).

(C) No electricity generated by a conduit hydroelectric generation facility shall result in the creation of a renewable energy credit unless the facility meets the requirements of subparagraph (B) of paragraph (1) of subdivision (c).

(D) No electricity generated by a facility engaged in the combustion of municipal solid waste shall result in the creation of a renewable energy credit unless the facility meets the requirements of paragraph (2) of subdivision (c).

(f) “Renewable energy public goods charge” means that portion of the nonbypassable system benefits charge required to be collected to fund renewable energy pursuant to the Reliable Electric Service Investments Act (Article 15 (commencing with Section 399) of Chapter 2.3 of Part 1 of Division 1, for an electrical corporation, and pursuant to Section 385 for a local publicly owned electric utility.

(g) “Renewables portfolio standard” means the specified percentage of electricity generated by eligible renewable energy

resources that a retail seller or a local publicly owned electric utility is required to procure pursuant to this article.

(h) “Retail seller” means an entity engaged in the retail sale of electricity to end-use customers located within the state, including any of the following:

(1) An electrical corporation, as defined in Section 218.

(2) A community choice aggregator. The commission shall institute a rulemaking to determine the manner in which a community choice aggregator will participate in the renewables portfolio standard program subject to the same terms and conditions applicable to an electrical corporation.

(3) An electric service provider, as defined in Section 218.3, for all sales of electricity to customers beginning January 1, 2006. The commission shall institute a rulemaking to determine the manner in which electric service providers will participate in the renewables portfolio standard program. The electric service provider shall be subject to the same terms and conditions applicable to an electrical corporation pursuant to this article. Nothing in this paragraph shall impair a contract entered into between an electric service provider and a retail customer prior to the suspension of direct access by the commission pursuant to Section 80110 of the Water Code.

(4) “Retail seller” does not include any of the following:

(A) A corporation or person employing cogeneration technology or producing electricity consistent with subdivision (b) of Section 218.

(B) The Department of Water Resources acting in its capacity pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(C) A local publicly owned electric utility.

(i) (1) “Undelivered renewable energy credit” means a certificate of proof, issued through the accounting system established by the Energy Commission pursuant to Section 399.25, associated with one unit of electricity generated, but not delivered, by a renewable electrical generation facility.

(2) (A) No electricity generated by a renewable electrical generation facility attributable to the use of nonrenewable fuels, beyond a de minimis quantity, as determined by the Energy Commission for each renewable energy technology, shall result in the creation of an undelivered renewable energy credit.

1 (B) No electricity generated by a small hydroelectric generation
2 facility shall result in the creation of an undelivered renewable
3 energy credit unless the facility meets the requirements of
4 subparagraph (A) of paragraph (1) of subdivision (c).

5 (C) No electricity generated by a conduit hydroelectric
6 generation facility shall result in the creation of an undelivered
7 renewable energy credit unless the facility meets the requirements
8 of subparagraph (B) of paragraph (1) of subdivision (c).

9 (D) No electricity generated by a facility engaged in the
10 combustion of municipal solid waste shall result in the creation of
11 an undelivered renewable energy credit unless the facility meets
12 the requirements of paragraph (2) of subdivision (c).

13 ~~SEC. 12.~~

14 *SEC. 13.* Section 399.13 of the Public Utilities Code is amended
15 and renumbered to read:

16 399.25. The Energy Commission shall do all of the following:

17 (a) Certify eligible renewable energy resources that it determines
18 meet the criteria described in subdivision (c) of Section 399.12.

19 (b) Design and implement an accounting system to verify
20 compliance with the renewables portfolio standard by retail sellers
21 and local publicly owned electric utilities, to ensure that electricity
22 generated by an eligible renewable energy resource is counted
23 only once for the purpose of meeting the renewables portfolio
24 standard of this state or any other state, to certify renewable energy
25 credits produced by eligible renewable energy resources, and to
26 verify retail product claims in this state or any other state. In
27 establishing the guidelines governing this accounting system, the
28 Energy Commission shall collect data from electricity market
29 participants that it deems necessary to verify compliance of retail
30 sellers and local publicly owned electric utilities, in accordance
31 with the requirements of this article and the California Public
32 Records Act (Chapter 3.5 (commencing with Section 6250) of
33 Division 7 of Title 1 of the Government Code). In seeking data
34 from electrical corporations, the Energy Commission shall request
35 data from the commission. The commission shall collect data from
36 electrical corporations and remit the data to the Energy
37 Commission within 90 days of the request.

38 (c) Establish a system for tracking and verifying renewable
39 energy credits that, through the use of independently audited data,
40 verifies the generation and delivery of electricity associated with

1 each renewable energy credit and protects against multiple counting
2 of the same renewable energy credit. The Energy Commission
3 shall consult with other western states and with the Western
4 Electricity Coordinating Council in the development of this system.

5 (d) Certify, for purposes of compliance with the renewables
6 portfolio standard requirements by a retail seller, the eligibility of
7 renewable energy credits associated with deliveries of electricity
8 by an eligible renewable energy resource to a local publicly owned
9 electric utility, if the Energy Commission determines that all of
10 the conditions of Section 399.31 have been met.

11 ~~(e) In consultation with the State Air Resources Board, adopt~~
12 ~~regulations for the enforcement of this article with respect to a~~
13 ~~local publicly owned electric utility. The regulations shall be~~
14 ~~adopted at a publicly noticed meeting offering all interested parties~~
15 ~~an opportunity to comment. Not less than 30 days' notice shall be~~
16 ~~given to the public of any meeting held for purposes of adopting~~
17 ~~the regulations. Not less than 10 days' notice shall be given to the~~
18 ~~public before any meeting is held to make a substantive change to~~
19 ~~the regulations. Until such time as there is a market mechanism~~
20 ~~established and implemented for the distribution and purchase of~~
21 ~~emission allowances for greenhouse gases, the regulations shall~~
22 ~~provide for the imposition of penalties by the State Air Resources~~
23 ~~Board pursuant to Part 6 (commencing with Section 38580) of~~
24 ~~Division 25.5 of the Health and Safety Code, upon referral and~~
25 ~~recommendation by the Energy Commission, for failure to comply~~
26 ~~with this article.~~

27 (f) (1) By October 30, 2010, at a duly noticed public meeting
28 and in consultation with the State Air Resources Board, establish
29 a renewables portfolio standard requiring each local publicly owned
30 electric utility to procure a minimum quantity of electricity
31 generated by eligible renewable energy resources, including
32 renewable energy credits, as a specified percentage of total
33 kilowatthours sold to the utility's retail end-use customers each
34 calendar year. The renewables portfolio standard shall be consistent
35 with the target of generating 33 percent of total retail sales of
36 electricity in California from eligible renewable energy resources
37 by December 31, 2020, and the purposes set forth in subdivisions
38 (a), (b), and (c) of Section 399.11. The Energy Commission shall
39 enforce the renewables portfolio standard upon its establishment.

~~(2) A local publicly owned electric utility shall retain discretion over the percentage of eligible renewable energy resources procured or owned by the utility and those additional generation resources procured or owned by the utility for purposes of ensuring resource adequacy and reliability and the prices paid by the utility for electricity generated by eligible renewable energy resources.~~

~~SEC. 13.~~

SEC. 14. Section 399.13 is added to the Public Utilities Code, to read:

399.13. (a) (1) The commission shall direct each electrical corporation to prepare a renewable energy procurement plan that includes the matter in paragraph (3), to satisfy its obligations under the renewables portfolio standard. To the extent feasible, this procurement plan shall be proposed, reviewed, and adopted by the commission as part of, and pursuant to, a general procurement plan process. The commission shall require each electrical corporation to review and update its renewable energy procurement plan as it determines to be necessary.

(2) The commission shall adopt, by rulemaking, all of the following:

(A) A process that provides criteria for the rank ordering and selection of least-cost and best-fit eligible renewable energy resources to comply with the annual California Renewables Portfolio Standard Program obligations on a total cost basis. This process shall also consider the viability of the project to construct and reliably operate the eligible renewable energy resource, including the developer's experience, the feasibility of the technology used to generate electricity, and the risk that the facility will not be built, or that construction will be delayed, with the result that electricity will not be delivered as required by the contract.

(B) Rules permitting retail sellers to apply excess procurement in one year to subsequent years.

(C) Standard terms and conditions to be used by all electrical corporations in contracting for eligible renewable energy resources, including performance requirements for renewable generators. A contract for the purchase of electricity generated by an eligible renewable energy resource shall, at a minimum, include the renewable energy credits associated with all electricity generation specified under the contract. The standard terms and conditions

1 shall include the requirement that, no later than six months after
2 the commission's approval of an electricity purchase agreement
3 entered into pursuant to this article, the following information
4 about the agreement shall be disclosed by the commission: party
5 names, resource type, project location, and project capacity.

6 (D) An appropriate minimum margin of procurement above the
7 minimum procurement level necessary to comply with the
8 renewables portfolio standard, applied equally to all retail sellers,
9 to mitigate the risk that renewable projects planned or under
10 contract are delayed or canceled. Nothing in this paragraph shall
11 preclude an electrical corporation from voluntarily proposing a
12 margin of procurement above the appropriate minimum margin
13 established by the commission.

14 (3) Consistent with the goal of increasing California's reliance
15 on eligible renewable energy resources, the renewable energy
16 procurement plan submitted by an electrical corporation shall
17 include all of the following:

18 (A) An assessment of annual or multiyear portfolio supplies
19 and demand to determine the optimal mix of eligible renewable
20 energy resources with deliverability characteristics that may include
21 peaking, dispatchable, baseload, firm, and as-available capacity.

22 (B) Potential compliance delays related to the conditions
23 described in paragraph (4) of subdivision (b) of Section 399.15.

24 (C) A bid solicitation setting forth the need for eligible
25 renewable energy resources of each deliverability characteristic,
26 required online dates, and locational preferences, if any.

27 (D) A status update on the development schedule of all eligible
28 renewable resources currently under contract.

29 (E) Consideration of mechanisms for price adjustments
30 associated with the costs of key components for eligible renewable
31 energy resource projects with online dates more than 24 months
32 after the date of contract execution.

33 (F) An assessment of the risk that an eligible renewable energy
34 resource will not be built, or that construction will be delayed,
35 with the result that electricity will not be delivered as required by
36 the contract.

37 (4) In soliciting and procuring eligible renewable energy
38 resources, each electrical corporation shall offer contracts of no
39 less than 10 years in duration, unless the commission approves of
40 a contract of shorter duration.

(5) In soliciting and procuring eligible renewable energy resources for California-based projects, each electrical corporation shall give preference to renewable energy projects that provide environmental and economic benefits to communities afflicted with poverty or high unemployment, or that suffer from high emission levels of toxic air contaminants, criteria air pollutants, and greenhouse gases.

(b) A retail seller may enter into a combination of long- and short-term contracts for delivery of electricity and associated renewable energy credits. The commission may authorize a retail seller to enter into a contract of less than 10 years' duration with an eligible renewable energy resource, if the commission has established, for each retail seller, minimum quantities of eligible renewable energy resources to be procured through contracts of at least 10 years' duration.

(c) The commission shall review and accept, modify, or reject each electrical corporation's renewable energy procurement plan prior to the commencement of renewable procurement pursuant to this article by an electrical corporation.

(d) Unless previously preapproved by the commission, an electrical corporation shall submit a contract for the generation of an eligible renewable energy resource to the commission for review and approval consistent with an approved renewable energy procurement plan. If the commission determines that the bid prices are elevated due to a lack of effective competition among the bidders, the commission shall direct the electrical corporation to renegotiate the contracts or conduct a new solicitation.

(e) If an electrical corporation fails to comply with a commission order adopting a renewable energy procurement plan, the commission shall exercise its authority pursuant to Section 2113 to require compliance. The commission shall enforce comparable penalties on any retail seller that is not an electrical corporation that fails to meet the procurement targets established pursuant to Section 399.15.

(f) (1) The commission may authorize a procurement entity to enter into contracts on behalf of customers of a retail seller for deliveries of eligible renewable energy resources to satisfy the retail seller's renewables portfolio standard procurement requirements. The commission may not require any person or corporation to act as a procurement entity or require any party to

1 purchase eligible renewable energy resources from a procurement
2 entity.

3 (2) Subject to review and approval by the commission, the
4 procurement entity shall be permitted to recover reasonable
5 administrative and procurement costs through the retail rates of
6 end-use customers that are served by the procurement entity and
7 are directly benefiting from the procurement of eligible renewable
8 energy resources.

9 (g) Procurement and administrative costs associated with
10 contracts entered into by an electrical corporation for eligible
11 renewable energy resources pursuant to this article and approved
12 by the commission shall be deemed reasonable and shall be
13 recoverable in rates.

14 (h) Construction, alteration, demolition, installation, and repair
15 work on an eligible renewable energy resource that receives
16 production incentives pursuant to Section 25742 of the Public
17 Resources Code, including work performed to qualify, receive, or
18 maintain production incentives are “public works” for the purposes
19 of Chapter 1 (commencing with Section 1720) of Part 7 of Division
20 2 of the Labor Code.

21 ~~SEC. 14.~~

22 *SEC. 15.* Section 399.14 of the Public Utilities Code is repealed.

23 ~~SEC. 15.~~

24 *SEC. 16.* Section 399.14 is added to the Public Utilities Code,
25 to read:

26 399.14. (a) (1) An electrical corporation may, pursuant to
27 Chapter 5 (commencing with Section 1001), and in order to meet
28 its renewables portfolio standard procurement requirements, apply
29 to the commission for approval to construct, own, and operate an
30 eligible renewable energy resource.

31 (2) If the proposed eligible renewable energy resource complies
32 with the requirements of subdivision (b), the commission shall
33 approve an application filed pursuant to paragraph (1), until the
34 commission has approved applications for eligible renewable
35 energy resources for the electrical corporation that, when
36 constructed and operating, will provide 8.25 percent of the
37 electrical corporation’s anticipated retail sales by December 31,
38 2020.

39 (3) The commission may approve additional applications for
40 eligible renewable energy resources once the commission has

1 approved sufficient applications for eligible renewable energy
2 resources for the electrical corporation that, when constructed and
3 operating, will provide 8.25 percent of the electrical corporation's
4 anticipated retail sales by December 31, 2020, provided that the
5 proposed eligible renewable energy resource complies with the
6 requirements of subdivision (b).

7 (b) The commission shall not approve any application by an
8 electrical corporation pursuant to subdivision (a) unless both of
9 the following conditions are met:

10 (1) The eligible renewable energy resource will be constructed
11 and operated in compliance with other applicable laws, including
12 environmental and safety laws.

13 (2) The eligible renewable energy resource utilizes a viable
14 technology at a reasonable cost and provides comparable or
15 superior value to ratepayers when compared to then recent or
16 contemporaneous solicitations for generation provided by eligible
17 renewable energy resources.

18 (c) In approving any application by an electrical corporation
19 for approval to construct, own, and operate an eligible renewable
20 energy resource, the commission shall apply traditional
21 cost-of-service ratemaking, including reasonableness review after
22 construction is completed.

23 ~~SEC. 16.~~

24 *SEC. 17.* Section 399.15 of the Public Utilities Code is repealed.

25 ~~SEC. 17.~~

26 *SEC. 18.* Section 399.15 is added to the Public Utilities Code,
27 to read:

28 399.15. (a) In order to fulfill unmet long-term resource needs,
29 the commission shall establish a renewables portfolio standard
30 requiring all retail sellers to procure a minimum quantity of
31 electricity generated by eligible renewable energy resources as a
32 specified percentage of total kilowatthours sold to their retail
33 end-use customers each compliance period to achieve the targets
34 established under this article.

35 (b) The commission shall implement renewables portfolio
36 standard procurement requirements as follows:

37 (1) Each retail seller shall procure the following minimum
38 percentages of eligible renewable energy resources delivered in
39 the following years:

40 (A) Twenty percent by December 31, 2012.

1 (B) Twenty-three percent by December 31, 2014.

2 (C) Twenty-six percent by December 31, 2016.

3 (D) Thirty percent by December 31, 2018.

4 (E) Thirty-three percent by December 31, 2020.

5 (2) A retail seller with 33 percent of its retail sales of electricity
6 procured from eligible renewable energy resources in any year
7 shall not be required to increase its procurement of renewable
8 energy resources, except to the extent required to maintain a 33
9 percent renewables portfolio standard. A retail seller may
10 voluntarily increase its procurement of eligible renewable energy
11 resources beyond the renewables portfolio standard procurement
12 requirements.

13 (3) Only for purposes of establishing the renewables portfolio
14 standard procurement requirements of paragraph (1), the
15 commission shall include all electricity sold to retail customers by
16 the Department of Water Resources pursuant to Section 80100 of
17 the Water Code in the calculation of retail sales by an electrical
18 corporation.

19 (4) The commission may only allow a retail seller for a
20 maximum of two years per request to delay compliance with a
21 renewables portfolio standard procurement requirement established
22 pursuant to subparagraph (A), (B), (C), or (D) of paragraph (1), if
23 it finds, after an evidentiary hearing, that the retail seller has
24 demonstrated that either of the following conditions will prevent
25 timely compliance:

26 (A) There is inadequate transmission capacity to allow for
27 sufficient electricity to be delivered from proposed eligible
28 renewable energy resource projects using the current operational
29 protocols of the Independent System Operator (ISO). The
30 commission shall consult with the ISO in making its findings
31 relative to the existence of this condition. In making its findings
32 relative to the existence of this condition with respect to a retail
33 seller that owns transmission lines, the commission shall consider
34 both of the following:

35 (i) Whether the retail seller has undertaken all reasonable
36 measures to develop and construct new transmission lines or
37 upgrades to existing lines in a timely fashion.

38 (ii) Whether the retail seller has taken all reasonable operational
39 measures, as verified by the ISO, to maximize deliveries of

1 electricity from eligible renewable energy resources in advance
2 of transmission availability.

3 (B) Unanticipated permitting and interconnection delays for
4 procured eligible renewable energy resource projects. In making
5 this finding, the commission shall consider whether the retail seller
6 has prudently managed portfolio risks, relied on sufficient viable
7 projects, and procured an appropriate minimum margin of
8 procurement above the minimum procurement level necessary to
9 comply with the renewables portfolio standard to compensate for
10 foreseeable delays.

11 (5) The commission shall require a retail seller to demonstrate,
12 as part of an evidentiary showing made pursuant to paragraph (4),
13 that it has taken all reasonable measures consistent with this article
14 to procure cost-effective distributed generation and to procure
15 undelivered renewable energy credits consistent with the
16 restrictions in paragraph (6) of subdivision (a) of Section 399.21.

17 (6) The commission may not approve any request to delay a
18 compliance obligation for which it has already granted a delay
19 unless a retail seller presents evidence that it has identified and
20 taken all reasonable actions under its control to pursue additional
21 options to comply with the delayed interim procurement obligation
22 and remove impediments that are related to its delay.

23 (7) The commission may not authorize any delay in achieving
24 the 33 percent by December 31, 2020, renewables portfolio
25 standard procurement requirement of subparagraph (E) of
26 paragraph (1).

27 (8) If a retail seller fails to procure sufficient eligible renewable
28 energy resources to comply with a renewables portfolio standard
29 procurement requirement and fails to obtain an order from the
30 commission authorizing a compliance delay pursuant to paragraph
31 (4), the commission ~~may~~ *shall* exercise its authority pursuant to
32 Section 2113.

33 (c) The commission shall establish a methodology to determine
34 the market price of electricity for terms corresponding to the length
35 of contracts with eligible renewable energy resources, in
36 consideration of the long-term ownership, operating, and
37 fixed-price fuel costs associated with fixed-price electricity from
38 new generating facilities. The methodology shall reflect all of the
39 following:

1 (1) The value of different products including baseload, peaking,
2 and as-available electricity.

3 (2) All current and anticipated environmental compliance costs,
4 including mitigation of emissions of greenhouse gases and air
5 pollution offsets associated with the operation of new generating
6 facilities.

7 (d) The commission shall establish a limitation for each
8 electrical corporation on the annual expenditures above the market
9 prices determined in subdivision (c) for the procurement of *all*
10 eligible renewable energy resources *that are used to comply with*
11 *the electrical corporation's renewables portfolio standard*. The
12 commission shall update the limitation on a biennial basis. The
13 annual cost limitation shall equal 6 percent of the total bundled
14 electric revenues recorded by the electrical corporation for the
15 prior calendar year, or for an updated limitation, for the calendar
16 year prior to the year in which the commission is preparing the
17 update. Total bundled electric revenues shall include revenues
18 collected by the electrical corporation on behalf of the Department
19 of Water Resources for procurement activities conducted pursuant
20 to Division 27 (commencing with Section 80000) of the Water
21 Code. The commission shall not reduce the limitation as a result
22 of changes in bundled electric revenues since the previous biennial
23 update. The annual limitation, as modified by subsequent updates,
24 shall apply to the net annual above-market costs projected to be
25 incurred during each future year.

26 (e) The net annual above-market costs of all procurement of
27 eligible renewable energy resources shall be counted toward the
28 annual cost limitation if all of the following conditions are satisfied:

29 (1) The procurement has been approved by the commission.

30 (2) The procurement is used to meet the renewables portfolio
31 standard procurement requirements established pursuant to
32 paragraph (1) of subdivision (b).

33 (3) The procurement is submitted for approval to the commission
34 after January 1, 2011.

35 (4) The above-market costs of procurement do not include any
36 indirect expenses, including imbalance energy charges, sale of
37 excess energy, decreased generation from existing resources, or
38 transmission upgrades.

39 (5) Calculations of net annual above-market costs shall include,
40 as a reduction to the total above-market costs, procurement that

1 satisfies paragraphs (1), (2), and (3) and is below the market prices
2 determined in subdivision (c) for each year.

3 (6) The commission has accounted for the potential that some
4 procured resources may be delayed or canceled.

5 (f) If the annual cost limitation for an electrical corporation is
6 insufficient to support the projected net above-market costs
7 identified in subdivision (e) for a future year, the commission shall
8 allow the electrical corporation to refrain from entering into new
9 contracts or to construct facilities for that future year beyond the
10 quantity of eligible renewable energy resources that can be
11 procured at or below the market prices established in subdivision
12 (c). If the cost limitation is not reached for an individual year, any
13 amount below the cost limitation may not be applied to a future
14 year.

15 *(g) Notwithstanding subdivision (f), if an electrical corporation's*
16 *net annual above-market costs for a future year exceeds the*
17 *electrical corporation's annual cost limitation, the electrical*
18 *corporation may voluntarily propose to procure eligible renewable*
19 *energy resources at above-market prices. Any voluntary*
20 *procurement under this paragraph shall be subject to commission*
21 *approval prior to the expense being recovered in rates.*

22 ~~(g)~~

23 (h) (1) The commission shall monitor the status of the annual
24 cost limitation for each electrical corporation in order to ensure
25 compliance with this article.

26 (2) If the commission determines that an electrical corporation
27 may exceed its annual cost limitation prior to achieving the
28 renewables portfolio standard procurement requirements, the
29 commission shall do all of the following within 60 days of making
30 that determination:

31 (A) Investigate and identify the reasons why the electrical
32 corporation may exceed its annual cost limitation.

33 (B) Identify those actions that can be taken to ensure that the
34 electrical corporation continues to comply with its renewables
35 portfolio standard procurement requirements.

36 (C) Notify the appropriate policy and fiscal committees of the
37 Legislature that the electrical corporation may exceed its annual
38 cost limitation, the reasons why the electrical corporation may
39 exceed its annual cost limitation, and those actions that may be

1 taken by the electrical corporation to comply with the renewables
2 portfolio standard procurement requirements.

3 (3) The commission shall examine mechanisms for mitigating
4 the potential impact of low fossil fuel prices on the annual cost
5 limitation of each electrical corporation and make
6 recommendations to the Legislature on any changes in law it
7 identifies to mitigate those impacts.

8 ~~(h) Nothing in this section limits an electrical corporation from~~
9 ~~voluntarily proposing to procure eligible renewable energy~~
10 ~~resources at above-market prices that are not counted toward the~~
11 ~~cost limitation. Any voluntary procurement involving above-market~~
12 ~~costs shall be subject to commission approval prior to the expense~~
13 ~~being recovered in rates.~~

14 (i) The commission shall examine and ~~may~~ adopt mechanisms
15 to limit the potential influence of the market prices established in
16 subdivision (c) on seller pricing and buyer contract selection.

17 (j) The establishment of a renewables portfolio standard shall
18 not constitute implementation by the commission of the federal
19 Public Utility Regulatory Policies Act of 1978 (Public Law
20 95-617).

21 (k) The commission shall consult with the Energy Commission
22 in establishing renewables portfolio standard policies.

23 ~~(l) An electrical corporation shall submit a contract for eligible~~
24 ~~renewable energy resources to the commission for review, pursuant~~
25 ~~to the electrical corporation's approved renewable energy~~
26 ~~procurement plan.~~

27 ~~(1) In conducting a review, the commission shall do all of the~~
28 ~~following:~~

29 ~~(A) Consider system reliability.~~

30 ~~(B) Consider the value of different generation characteristics~~
31 ~~including peaking, dispatchable, baseload, and firm and~~
32 ~~as-available capacity of renewable projects.~~

33 ~~(C) Make an assessment of the price risk associated with the~~
34 ~~electrical corporation's renewable energy portfolio, including any~~
35 ~~proposed contracts or purchases under which an electrical~~
36 ~~corporation will procure renewable energy.~~

37 ~~(2) The costs of contracts for eligible renewable energy~~
38 ~~resources that have been approved by the commission shall be~~
39 ~~recoverable in rates of electrical corporations.~~

1 ~~SEC. 18.~~

2 *SEC. 19.* Section 399.16 of the Public Utilities Code is amended
3 and renumbered to read:

4 399.21. (a) The commission, by rule, may authorize the use
5 of renewable energy credits and undelivered renewable energy
6 credits to satisfy the renewables portfolio standard procurement
7 requirements established pursuant to this article, subject to the
8 following conditions:

9 (1) Prior to authorizing any renewable energy credit to be used
10 toward satisfying the renewables portfolio standard procurement
11 requirements, the commission and the Energy Commission shall
12 conclude that the tracking system established pursuant to
13 subdivision (c) of Section 399.25, is operational, is capable of
14 independently verifying that the electricity is generated by an
15 eligible renewable energy resource and is delivered to the retail
16 seller, and can ensure that renewable energy credits shall not be
17 double counted by any seller of electricity within the service
18 territory of the Western Electricity Coordinating Council (WECC).

19 (2) Each renewable energy credit and undelivered renewable
20 energy credit shall be counted only once for compliance with the
21 renewables portfolio standard of this state or any other state, or
22 for verifying retail product claims in this state or any other state.

23 (3) All revenues received by an electrical corporation for the
24 sale of a renewable energy credit or undelivered renewable energy
25 credit shall be credited to the benefit of ratepayers.

26 (4) No renewable energy credits shall be created for electricity
27 generated pursuant to any electricity purchase contract with a retail
28 seller or a local publicly owned electric utility executed before
29 January 1, 2005, unless the contract contains explicit terms and
30 conditions specifying the ownership or disposition of those credits.
31 Deliveries under those contracts shall be tracked through the
32 accounting system described in subdivision (b) of Section 399.25
33 and included in the quantity of eligible renewable energy resources
34 of the purchasing retail seller pursuant to Section 399.15.

35 (5) No renewable energy credits shall be created for electricity
36 generated under any electricity purchase contract executed after
37 January 1, 2005, pursuant to the federal Public Utility Regulatory
38 Policies Act of 1978 (16 U.S.C. Sec. 2601 et seq.). Deliveries
39 under the electricity purchase contracts shall be tracked through
40 the accounting system described in subdivision (b) of Section

1 399.12 and count toward the renewables portfolio standard
2 obligations of the purchasing retail seller.

3 (6) The quantity of undelivered renewable energy credits used
4 by a retail seller to meet the renewables portfolio standard
5 procurement requirements of this article shall not exceed 20 percent
6 of its procurement requirements. Notwithstanding this limitation,
7 the commission shall authorize a retail seller to use undelivered
8 renewable energy credits procured through contracts executed by
9 the retail seller prior to May 31, 2009, and approved by the
10 commission, to be counted towards the renewables portfolio
11 standard procurement requirements of that retail seller.

12 (7) No renewable energy credit or undelivered renewable energy
13 credit shall be eligible for compliance with a renewables portfolio
14 standard procurement requirement after 18 months from the initial
15 date of generation of the associated electricity. A renewable energy
16 credit or undelivered renewable energy credit is used for
17 compliance when the retail seller or local publicly owned electric
18 utility irrevocably retires the credit within the tracking system
19 established pursuant to subdivision (c) of Section 399.25.

20 (8) Any additional condition that the commission determines
21 is reasonable.

22 (b) The commission shall allow an electrical corporation to
23 recover the reasonable costs of purchasing renewable energy credits
24 and undelivered renewable energy credits in rates.

25 ~~SEC. 19.~~

26 *SEC. 20.* Section 399.17 of the Public Utilities Code is amended
27 to read:

28 399.17. (a) Subject to the provisions of this section, the
29 requirements of this article apply to an electrical corporation with
30 60,000 or fewer customer accounts in California that serves retail
31 end-use customers outside California.

32 (b) For an electrical corporation with 60,000 or fewer customer
33 accounts in California that serves retail end-use customers outside
34 California, an eligible renewable energy resource includes a facility
35 that is located outside California, if the facility is connected to the
36 Western Electricity Coordinating Council (WECC) transmission
37 system, provided all of the following conditions are met:

38 (1) The electricity generated by the facility is procured by the
39 electrical corporation on behalf of its California customers, and is

1 not used to fulfill renewable energy procurement requirements in
2 other states.

3 (2) The electrical corporation participates in, and complies with,
4 the accounting system administered by the Energy Commission
5 pursuant to subdivision (b) of Section 399.25.

6 (3) The Energy Commission verifies that the electricity
7 generated by the facility is eligible to meet the ~~triennial~~ *biennial*
8 procurement targets of this article.

9 (c) The commission shall determine the ~~triennial~~ *biennial*
10 procurement targets for an electrical corporation with 60,000 or
11 fewer customer accounts in California that serves retail end-use
12 customers outside California, as a specified percentage of total
13 kilowatthours sold by the electrical corporation to its retail end-use
14 customers in California in a calendar year.

15 (d) An electrical corporation with 60,000 or fewer customer
16 accounts in California that serves retail end-use customers outside
17 California, may use an integrated resource plan prepared in
18 compliance with the requirements of another state utility regulatory
19 commission, to fulfill the requirement to prepare a renewable
20 energy procurement plan pursuant to this article, provided the plan
21 meets the requirements of Sections 399.11, 399.12, 399.13, or
22 399.14, and 399.25, as modified by this section.

23 (e) Procurement and administrative costs associated with
24 long-term contracts entered into by an electrical corporation with
25 60,000 or fewer customer accounts in California that serves retail
26 end-use customers outside California, for eligible renewable energy
27 resources pursuant to this article, at or below the market price
28 determined by the commission pursuant to subdivision (c) of
29 Section 399.15, shall be deemed reasonable per se, and shall be
30 recoverable in rates of the electrical corporation's California
31 customers, provided the costs are not recoverable in rates in other
32 states served by the electrical corporation.

33 ~~SEC. 20.~~

34 *SEC. 21.* Section 399.18 is added to the Public Utilities Code,
35 to read:

36 399.18. The commission, in consultation with the Energy
37 Commission, shall report to the Legislature by January 1 of every
38 even-numbered year on all of the following:

39 (a) The progress and status of procurement activities by each
40 retail seller.

1 (b) The status of permitting and siting eligible renewable energy
2 resources and transmission facilities necessary to deliver the
3 electricity generated to load, including the time taken to permit
4 each eligible renewable energy resource and transmission line or
5 upgrade, explanations of failures to meet permitting milestones,
6 and recommendations for improvements to expedite permitting
7 and siting processes.

8 (c) The projected ability of each electrical corporation to meet
9 the renewables portfolio standard procurement requirements under
10 the cost limitations in subdivision (d) of Section 399.15 and any
11 recommendations for revisions of those cost limitations.

12 (d) Any barriers to, and policy recommendations for, achieving
13 the renewables portfolio standard pursuant to this article.

14 ~~SEC. 21.~~

15 *SEC. 22.* Section 399.22 is added to the Public Utilities Code,
16 to read:

17 399.22. (a) In order for the state to meet the requirements of
18 the California Renewables Portfolio Standard Program,
19 substantially increased amounts of electricity generated by eligible
20 renewable energy resources must be integrated with, and
21 interconnected to, the transmission grid that is under the operational
22 control of the Independent System Operator.

23 (b) The Independent System Operator shall undertake all feasible
24 efforts to do all of the following, and shall seek the approval of
25 the Federal Energy Regulatory Commission, if necessary:

26 (1) Adjust its market structure to achieve, in the most
27 cost-effective manner possible, a minimum of 33 percent of
28 electricity generated from eligible renewable energy resources by
29 December 31, 2020.

30 (2) In consultation and cooperation with local publicly owned
31 electric utilities develop annual statewide transmission plans that
32 incorporate local publicly owned electric utility transmission plans
33 and any potential joint privately owned and local publicly owned
34 electric utility infrastructure projects, with the goal of minimizing
35 the aggregate amount and cost of new transmission needed
36 statewide to meet both reliability needs and renewable energy
37 targets.

38 (3) Seek proposals from, and propose transmission projects to,
39 local publicly owned electric utilities that can be jointly owned by

1 electrical corporations, merchant transmission companies, and
2 local publicly owned electric utilities.

3 (4) Eliminate barriers established by the Independent System
4 Operator over transmission lines in its control area.

5 (c) The commission shall approve reasonable and cost-effective
6 transmission and power line investments that are not under the
7 ratemaking authority of the Federal Energy Regulatory
8 Commission and that are necessary to enable electricity generated
9 by eligible renewable energy resources to be delivered to retail
10 sellers and local publicly owned electric utilities.

11 ~~SEC. 22.~~

12 *SEC. 23.* Section 399.26 is added to the Public Utilities Code,
13 to read:

14 399.26. (a) In order for the state to meet the requirements of
15 the California Renewables Portfolio Standard Program,
16 substantially increased amounts of electricity generated by eligible
17 renewable energy resources must be integrated with, and
18 interconnected to, the transmission grid that is either owned by,
19 or under the operational control of, the local publicly owned
20 electric utilities and the transmission grid that is under the
21 operational control of the Independent System Operator.

22 (b) The Energy Commission shall facilitate both of the
23 following:

24 (1) The development of annual statewide transmission plans
25 that incorporate local publicly owned electric utility transmission
26 plans and any potential joint privately owned and local publicly
27 owned electric utility infrastructure projects, with the goal of
28 minimizing the aggregate amount and cost of new transmission
29 needed statewide to meet both reliability needs and renewables
30 portfolio standard targets.

31 (2) The siting and approval of new transmission lines that can
32 be jointly owned or utilized by electrical corporations, merchant
33 transmission companies, and local publicly owned electric utilities,
34 and can be jointly operated by the Independent System Operator
35 and local publicly owned electric utility balancing authorities.

36 ~~SEC. 23.~~

37 *SEC. 24.* Section 399.30 is added to the Public Utilities Code,
38 to read:

39 ~~399.30. (a) In order to fulfill unmet long-term generation~~
40 ~~resource needs, each local publicly owned electric utility shall~~

1 adopt and implement a renewable energy resources procurement
2 plan that, at a minimum, complies with the renewables portfolio
3 standard adopted by the Energy Commission pursuant to
4 subdivision (f) of Section 399.25. A public utility district that
5 receives all of its electricity pursuant to a preference right adopted
6 and authorized by the United States Congress pursuant to Section
7 4 of the Trinity River Division Act of August 12, 1955 (Public
8 Law 84-386) shall be in compliance with the renewable energy
9 procurement requirements of this article.

10 (b) (1) Every three years, each local publicly owned electric
11 utility shall post notice in accordance with Chapter 9 (commencing
12 with Section 54950) of Part 1 of Division 2 of Title 5 of the
13 Government Code whenever its governing body will deliberate in
14 public on its renewable energy resources procurement plan.

15 (2) Contemporaneous with the posting of the notice of a public
16 meeting to consider the energy resources procurement plan, the
17 local publicly owned electric utility shall notify the Energy
18 Commission of the date, time, and location of the meeting so the
19 Energy Commission may post the information on its Internet Web
20 site. This requirement is satisfied if the local publicly owned
21 electric utility provides the uniform resource locator (URL) that
22 links to this information.

23 (3) Upon distribution to its governing body of information
24 related to its renewable energy resource procurement status and
25 future plans, for its consideration at a noticed public meeting, the
26 local publicly owned electric utility shall make that information
27 available to the public and shall provide the Energy Commission
28 with an electronic copy of the documents for posting on the Energy
29 Commission's Internet Web site. This requirement is satisfied if
30 the local publicly owned electric utility provides the uniform
31 resource locator (URL) that links to the documents or information
32 regarding other manners of access to the documents.

33 (c) Within 30 business days after a local publicly owned electric
34 utility executes a renewable resource procurement contract, the
35 local publicly owned electric utility shall submit to the Energy
36 Commission documentation that includes all of the following:

37 (1) A description of the eligible renewable energy resource,
38 including the duration of the contract or electricity purchase
39 agreement.

1 ~~(2) A description and identification of the electric generating~~
2 ~~facility providing the eligible renewable energy resource under~~
3 ~~the contract.~~

4 ~~(3) An estimate of the percentage increase in the utility's total~~
5 ~~retail sales of electricity from eligible renewable energy resources~~
6 ~~that will result from the contract.~~

7 ~~(d) (1) A local publicly owned electric utility may use~~
8 ~~renewable energy credits and undelivered renewable energy credits~~
9 ~~to meet its renewables portfolio standard procurement requirements~~
10 ~~only to the same extent and under the same circumstances as a~~
11 ~~retail seller is authorized to use renewable energy credits and~~
12 ~~undelivered renewable energy credits to meet the retail seller's~~
13 ~~renewables portfolio standard procurement requirements.~~

14 ~~(2) A local publicly owned electric utility shall not sell~~
15 ~~renewable energy credits and undelivered renewable energy credits~~
16 ~~to a retail seller if the utility is not in compliance with its~~
17 ~~renewables portfolio standard procurement requirements or if, as~~
18 ~~a result of the sale, the utility would fail to meet its procurement~~
19 ~~requirements.~~

20 ~~(e) Each local publicly owned electric utility shall report, on an~~
21 ~~annual basis, to its customers, and to the Energy Commission, all~~
22 ~~of the following:~~

23 ~~(1) Expenditures of funds collected pursuant to the renewable~~
24 ~~energy public goods charge for eligible renewable energy resource~~
25 ~~development. Reports shall contain a description of programs,~~
26 ~~expenditures, expected results, and actual results.~~

27 ~~(2) The resource mix used to serve its customers by fuel type.~~
28 ~~Reports shall contain the contribution of renewable energy credits,~~
29 ~~undelivered renewable energy credits, and each type of renewable~~
30 ~~energy resource with separate categories for those fuels that are~~
31 ~~eligible renewable energy resources as defined in Section 399.12,~~
32 ~~except that the electricity is delivered to the local publicly owned~~
33 ~~electric utility and not a retail seller. The Energy Commission shall~~
34 ~~audit and review the reports and publish a summary of progress~~
35 ~~based on the assumption that each local publicly owned electric~~
36 ~~utility is subject to equivalent renewables portfolio standard~~
37 ~~procurement requirements, accounting rules, limits on undelivered~~
38 ~~renewable energy credits, certification requirements, and resource~~
39 ~~eligibility requirements as are applicable to retail sellers.~~

1 ~~(3) The utility's status in implementing the renewables portfolio~~
2 ~~standard adopted by the Energy Commission for the utility pursuant~~
3 ~~to subdivision (f) of Section 399.25.~~

4 ~~(f) The Energy Commission shall report to the Legislature by~~
5 ~~January 1 of every even-numbered year, relative to local publicly~~
6 ~~owned electric utilities, on all of the following:~~

7 ~~(1) The progress and status of procurement activities by each~~
8 ~~local publicly owned electric utility.~~

9 ~~(2) The status of permitting and siting eligible renewable energy~~
10 ~~resources and transmission facilities necessary to deliver the~~
11 ~~electricity generated to load, including the time taken to permit~~
12 ~~each eligible renewable energy resource and transmission line or~~
13 ~~upgrade, explanations of failures to meet permitting milestones,~~
14 ~~and recommendations for improvements to expedite permitting~~
15 ~~and siting processes.~~

16 ~~(3) The projected ability of local publicly owned electric utilities~~
17 ~~to meet renewables portfolio standard procurement requirements~~
18 ~~under any cost limitations adopted by the governing bodies.~~

19 ~~(4) The identification of any barriers to, and policy~~
20 ~~recommendations for, achieving a 33 percent renewables portfolio~~
21 ~~standard for local publicly owned electric utilities by December~~
22 ~~31, 2020.~~

23 399.30. *(a) In order to fulfill unmet long-term generation*
24 *resource needs, each local publicly owned electric utility shall*
25 *adopt and implement a renewable energy resources procurement*
26 *plan that requires the utility to procure a minimum quantity of*
27 *electricity generated by eligible renewable energy resources,*
28 *including renewable energy credits, as a specified percentage of*
29 *total kilowatthours sold to the utility's retail end-use customers,*
30 *each calendar year, to achieve the targets of subdivision (b).*

31 *(b) The governing board shall implement procurement targets*
32 *for a local publicly owned electric utility that require the utility*
33 *to procure the following minimum percentages of eligible*
34 *renewable energy resources delivered in the following years:*

35 *(1) Twenty percent by December 31, 2012.*

36 *(2) Twenty-three percent by December 31, 2014.*

37 *(3) Twenty-six percent by December 31, 2016.*

38 *(4) Thirty percent by December 31, 2018.*

39 *(5) Thirty-three percent by December 31, 2020.*

1 (c) A local publicly owned electric utility may use renewable
2 energy credits or undelivered renewable energy credits to meet
3 its renewables portfolio standard procurement requirements to
4 the same extent as permitted for a retail seller pursuant to
5 subdivision (a) of Section 399.21.

6 (d) The governing board of the local publicly owned electric
7 utility shall adopt a program for the enforcement of this article on
8 or before January 1, 2011. The program shall be adopted at a
9 publicly noticed meeting offering all interested parties an
10 opportunity to comment. Not less than 30 days' notice shall be
11 given to the public of any meeting held for purposes of adopting
12 the program. Not less than 10 days' notice shall be given to the
13 public before any meeting is held to make a substantive change to
14 the program.

15 (e) (1) Each local publicly owned electric utility shall annually
16 post notice, in accordance with Chapter 9 (commencing with
17 Section 54950) of Part 1 of Division 2 of Title 5 of the Government
18 Code, whenever its governing body will deliberate in public on its
19 renewable energy resources procurement plan.

20 (2) Contemporaneous with the posting of the notice of a public
21 meeting to consider the renewable energy resources procurement
22 plan, the local publicly owned electric utility shall notify the Energy
23 Commission of the date, time, and location of the meeting in order
24 to enable the Energy Commission to post the information on its
25 Internet Web site. This requirement is satisfied if the local publicly
26 owned electric utility provides the uniform resource locator (URL)
27 that links to this information.

28 (3) Upon distribution to its governing body of information
29 related to its renewable energy resources procurement status and
30 future plans, for its consideration at a noticed public meeting, the
31 local publicly owned electric utility shall make that information
32 available to the public and shall provide the Energy Commission
33 with an electronic copy of the documents for posting on the Energy
34 Commission's Internet Web site. This requirement is satisfied if
35 the local publicly owned electric utility provides the uniform
36 resource locator (URL) that links to the documents or information
37 regarding other manners of access to the documents.

38 (f) Within 30 business days after a local publicly owned electric
39 utility executes a renewable energy resources procurement
40 contract, the local publicly owned electric utility shall submit, to

1 the Energy Commission, documentation that includes all of the
2 following:

3 (1) A description of the eligible renewable energy resource,
4 including the duration of the contract or electricity purchase
5 agreement.

6 (2) A description and identification of the electrical generating
7 facility providing the eligible renewable energy resource under
8 the contract.

9 (3) An estimate of the percentage increase in the utility's total
10 retail sales of electricity from eligible renewable energy resources
11 that will result from the contract.

12 (g) A public utility district that receives all of its electricity
13 pursuant to a preference right adopted and authorized by the
14 United States Congress pursuant to Section 4 of the Trinity River
15 Division Act of August 12, 1955 (Public Law 84-386) shall be in
16 compliance with the renewable energy procurement requirements
17 of this article.

18 (h) Each local publicly owned electric utility shall report, on
19 an annual basis, to its customers and to the Energy Commission,
20 all of the following:

21 (1) Expenditures of public goods funds collected pursuant to
22 Section 385 for eligible renewable energy resource development.
23 Reports shall contain a description of programs, expenditures,
24 and expected or actual results.

25 (2) The resource mix used to serve its customers by energy
26 source.

27 (3) The utility's status in implementing a renewables portfolio
28 standard pursuant to subdivision (a) and the utility's progress
29 toward attaining the standard following implementation.

30 (i) A local publicly owned electric utility shall retain discretion
31 over all of the following:

32 (1) The mix of eligible renewable energy resources procured
33 or owned by the utility and those additional generation resources
34 procured or owned by the utility for purposes of ensuring resource
35 adequacy and reliability.

36 (2) The prices paid by the utility for electricity generated by
37 eligible renewable energy resources.

38 (3) The reasonable costs incurred by the utility for eligible
39 renewable energy resources owned by the utility.

(j) *On or before July 1, 2010, the Energy Commission shall adopt regulations specifying procedures for enforcement of this article. The regulations shall include a public process under which the Energy Commission may issue a notice of violation and correction against a local publicly owned electric utility for failure to comply with this article, and for referral of violations to the State Air Resources Board for penalties pursuant to subdivision (k).*

(k) *Upon a determination by the Energy Commission that a local publicly owned electric utility has failed to comply with this article, the Energy Commission shall refer the failure to comply with this article to the State Air Resources Board which may impose penalties pursuant to Part 6 (commencing with Section 38580) of Division 25.5 of the Health and Safety Code. If the State Air Resources Board has imposed a penalty upon a local publicly owned electric utility for the utility's failure to meet a renewable energy resources procurement requirement imposed upon the utility pursuant to the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code), the board shall not impose an additional penalty pursuant to this section for the utility's failure to comply with the procurement requirements of this article.*

~~SEC. 24.~~

SEC. 25. Section 399.31 is added to the Public Utilities Code, to read:

399.31. A retail seller may procure renewable energy credits associated with deliveries of electricity by an eligible renewable energy resource to a local publicly owned electric utility, for purposes of compliance with the renewables portfolio standard requirements, if both of the following conditions are met:

(a) The local publicly owned electric utility has adopted and implemented a renewable energy resources procurement plan that complies with the renewables portfolio standard adopted by the Energy Commission pursuant to subdivision (f) of Section 399.25.

(b) The local publicly owned electric utility is procuring sufficient eligible renewable energy resources to satisfy the target standard, and will not fail to satisfy the target standard in the event that the renewable energy credit is sold to the retail seller.

1 ~~SEC. 25.~~

2 SEC. 26. Section 454.5 of the Public Utilities Code is amended
3 to read:

4 454.5. (a) The commission shall specify the allocation of
5 electricity, including quantity, characteristics, and duration of
6 electricity delivery, that the Department of Water Resources shall
7 provide under its power purchase agreements to the customers of
8 each electrical corporation, which shall be reflected in the electrical
9 corporation's proposed procurement plan. Each electrical
10 corporation shall file a proposed procurement plan with the
11 commission not later than 60 days after the commission specifies
12 the allocation of electricity. The proposed procurement plan shall
13 specify the date that the electrical corporation intends to resume
14 procurement of electricity for its retail customers, consistent with
15 its obligation to serve. After the commission's adoption of a
16 procurement plan, the commission shall allow not less than 60
17 days before the electrical corporation resumes procurement
18 pursuant to this section.

19 (b) An electrical corporation's proposed procurement plan shall
20 include, but not be limited to, all of the following:

21 (1) An assessment of the price risk associated with the electrical
22 corporation's portfolio, including any utility-retained generation,
23 existing power purchase and exchange contracts, and proposed
24 contracts or purchases under which an electrical corporation will
25 procure electricity, electricity demand reductions, and
26 electricity-related products and the remaining open position to be
27 served by spot market transactions.

28 (2) A definition of each electricity product, electricity-related
29 product, and procurement related financial product, including
30 support and justification for the product type and amount to be
31 procured under the plan.

32 (3) The duration of the plan.

33 (4) The duration, timing, and range of quantities of each product
34 to be procured.

35 (5) A competitive procurement process under which the
36 electrical corporation may request bids for procurement-related
37 services, including the format and criteria of that procurement
38 process.

39 (6) An incentive mechanism, if any incentive mechanism is
40 proposed, including the type of transactions to be covered by that

1 mechanism, their respective procurement benchmarks, and other
2 parameters needed to determine the sharing of risks and benefits.

3 (7) The upfront standards and criteria by which the acceptability
4 and eligibility for rate recovery of a proposed procurement
5 transaction will be known by the electrical corporation prior to
6 execution of the transaction. This shall include an expedited
7 approval process for the commission's review of proposed contracts
8 and subsequent approval or rejection thereof. The electrical
9 corporation shall propose alternative procurement choices in the
10 event a contract is rejected.

11 (8) Procedures for updating the procurement plan.

12 (9) A showing that the procurement plan will achieve the
13 following:

14 (A) The electrical corporation shall, in order to fulfill its unmet
15 resource needs, procure resources from eligible renewable energy
16 resources in an amount sufficient to meet its procurement
17 requirements pursuant to the California Renewables Portfolio
18 Standard Program (Article 16 (commencing with Section 399.11)
19 of Chapter 2.3).

20 (B) The electrical corporation will create or maintain a
21 diversified procurement portfolio consisting of both short-term
22 and long-term electricity and electricity-related and demand
23 reduction products.

24 (C) The electrical corporation will first meet its unmet resource
25 needs through all available energy efficiency and demand reduction
26 resources that are cost effective, reliable, and feasible.

27 (10) The electrical corporation's risk management policy,
28 strategy, and practices, including specific measures of price
29 stability.

30 (11) A plan to achieve appropriate increases in diversity of
31 ownership and diversity of fuel supply of nonutility electrical
32 generation.

33 (12) A mechanism for recovery of reasonable administrative
34 costs related to procurement in the generation component of rates.

35 (c) The commission shall review and accept, modify, or reject
36 each electrical corporation's procurement plan. The commission's
37 review shall consider each electrical corporation's individual
38 procurement situation, and shall give strong consideration to that
39 situation in determining which one or more of the features set forth
40 in this subdivision shall apply to that electrical corporation. A

1 procurement plan approved by the commission shall contain one
2 or more of the following features, provided that the commission
3 may not approve a feature or mechanism for an electrical
4 corporation if it finds that the feature or mechanism would impair
5 the restoration of an electrical corporation's creditworthiness or
6 would lead to a deterioration of an electrical corporation's
7 creditworthiness:

8 (1) A competitive procurement process under which the
9 electrical corporation may request bids for procurement-related
10 services. The commission shall specify the format of that
11 procurement process, as well as criteria to ensure that the auction
12 process is open and adequately subscribed. Any purchases made
13 in compliance with the commission-authorized process shall be
14 recovered in the generation component of rates.

15 (2) An incentive mechanism that establishes a procurement
16 benchmark or benchmarks and authorizes the electrical corporation
17 to procure from the market, subject to comparing the electrical
18 corporation's performance to the commission-authorized
19 benchmark or benchmarks. The incentive mechanism shall be
20 clear, achievable, and contain quantifiable objectives and standards.
21 The incentive mechanism shall contain balanced risk and reward
22 incentives that limit the risk and reward of an electrical corporation.

23 (3) Upfront achievable standards and criteria by which the
24 acceptability and eligibility for rate recovery of a proposed
25 procurement transaction will be known by the electrical corporation
26 prior to the execution of the bilateral contract for the transaction.
27 The commission shall provide for expedited review and either
28 approve or reject the individual contracts submitted by the electrical
29 corporation to ensure compliance with its procurement plan. To
30 the extent the commission rejects a proposed contract pursuant to
31 this criteria, the commission shall designate alternative procurement
32 choices obtained in the procurement plan that will be recoverable
33 for ratemaking purposes.

34 (d) A procurement plan approved by the commission shall
35 accomplish each of the following objectives:

36 (1) Enable the electrical corporation to fulfill its obligation to
37 serve its customers at just and reasonable rates.

38 (2) Eliminate the need for after-the-fact reasonableness reviews
39 of an electrical corporation's actions in compliance with an
40 approved procurement plan, including resulting electricity

1 procurement contracts, practices, and related expenses. However,
2 the commission may establish a regulatory process to verify and
3 assure that each contract was administered in accordance with the
4 terms of the contract, and contract disputes which may arise are
5 reasonably resolved.

6 (3) Ensure timely recovery of prospective procurement costs
7 incurred pursuant to an approved procurement plan. The
8 commission shall establish rates based on forecasts of procurement
9 costs adopted by the commission, actual procurement costs
10 incurred, or combination thereof, as determined by the commission.
11 The commission shall establish power procurement balancing
12 accounts to track the differences between recorded revenues and
13 costs incurred pursuant to an approved procurement plan. The
14 commission shall review the power procurement balancing
15 accounts, not less than semiannually, and shall adjust rates or order
16 refunds, as necessary, to promptly amortize a balancing account,
17 according to a schedule determined by the commission. Until
18 January 1, 2006, the commission shall ensure that any
19 overcollection or undercollection in the power procurement
20 balancing account does not exceed 5 percent of the electrical
21 corporation's actual recorded generation revenues for the prior
22 calendar year excluding revenues collected for the Department of
23 Water Resources. The commission shall determine the schedule
24 for amortizing the overcollection or undercollection in the
25 balancing account to ensure that the 5 percent threshold is not
26 exceeded. After January 1, 2006, this adjustment shall occur when
27 deemed appropriate by the commission consistent with the
28 objectives of this section.

29 (4) Moderate the price risk associated with serving its retail
30 customers, including the price risk embedded in its long-term
31 supply contracts, by authorizing an electrical corporation to enter
32 into financial and other electricity-related product contracts.

33 (5) Provide for just and reasonable rates, with an appropriate
34 balancing of price stability and price level in the electrical
35 corporation's procurement plan.

36 (e) The commission shall provide for the periodic review and
37 prospective modification of an electrical corporation's procurement
38 plan.

39 (f) The commission may engage an independent consultant or
40 advisory service to evaluate risk management and strategy. The

1 reasonable costs of any consultant or advisory service is a
2 reimbursable expense and eligible for funding pursuant to Section
3 631.

4 (g) The commission shall adopt appropriate procedures to ensure
5 the confidentiality of any market sensitive information submitted
6 in an electrical corporation's proposed procurement plan or
7 resulting from or related to its approved procurement plan,
8 including, but not limited to, proposed or executed power purchase
9 agreements, data request responses, or consultant reports, or any
10 combination, provided that the Division of Ratepayer Advocates
11 and other consumer groups that are nonmarket participants shall
12 be provided access to this information under confidentiality
13 procedures authorized by the commission.

14 (h) Nothing in this section alters, modifies, or amends the
15 commission's oversight of affiliate transactions under its rules and
16 decisions or the commission's existing authority to investigate and
17 penalize an electrical corporation's alleged fraudulent activities,
18 or to disallow costs incurred as a result of gross incompetence,
19 fraud, abuse, or similar grounds. Nothing in this section expands,
20 modifies, or limits the State Energy Resources Conservation and
21 Development Commission's existing authority and responsibilities
22 as set forth in Sections 25216, 25216.5, and 25323 of the Public
23 Resources Code.

24 (i) An electrical corporation that serves less than 500,000 electric
25 retail customers within the state may file with the commission a
26 request for exemption from this section, which the commission
27 shall grant upon a showing of good cause.

28 (j) (1) Prior to its approval pursuant to Section 851 of any
29 divestiture of generation assets owned by an electrical corporation
30 on or after the date of enactment of the act adding this section, the
31 commission shall determine the impact of the proposed divestiture
32 on the electrical corporation's procurement rates and shall approve
33 a divestiture only to the extent it finds, taking into account the
34 effect of the divestiture on procurement rates, that the divestiture
35 is in the public interest and will result in net ratepayer benefits.

36 (2) Any electrical corporation's procurement necessitated as a
37 result of the divestiture of generation assets on or after the effective
38 date of the act adding this subdivision shall be subject to the
39 mechanisms and procedures set forth in this section only if its

1 actual cost is less than the recent historical cost of the divested
2 generation assets.

3 (3) Notwithstanding paragraph (2), the commission may deem
4 proposed procurement eligible to use the procedures in this section
5 upon its approval of asset divestiture pursuant to Section 851.

6 ~~SEC. 26. Section 747 of the Public Utilities Code is amended~~
7 ~~and renumbered to read:~~

8 ~~910. (a) It is the intent of the Legislature that the commission~~
9 ~~reduce rates for electricity and natural gas to the lowest amount~~
10 ~~possible.~~

11 ~~(b) The commission shall prepare a written report on the costs~~
12 ~~of programs and activities conducted by each electrical corporation~~
13 ~~and gas corporation that is subject to this section, including~~
14 ~~activities conducted to comply with their duty to serve. The report~~
15 ~~shall be completed on an annual basis before February 1 of each~~
16 ~~year, and shall identify, clearly and concisely, all of the following:~~

17 ~~(1) Each program mandated by statute and its annual cost to~~
18 ~~ratepayers.~~

19 ~~(2) Each program mandated by the commission and its annual~~
20 ~~cost to ratepayers.~~

21 ~~(3) Energy purchase contract costs and bond-related costs~~
22 ~~incurred pursuant to Division 27 (commencing with Section 80000)~~
23 ~~of the Water Code.~~

24 ~~(4) All other aggregated categories of costs currently recovered~~
25 ~~in retail rates as determined by the commission.~~

26 ~~(c) As used in this section, the reporting requirements apply to~~
27 ~~electrical corporations with at least 1,000,000 retail customers in~~
28 ~~California and gas corporations with at least 500,000 retail~~
29 ~~customers in California.~~

30 ~~(d) The report required by subdivision (b) shall be submitted to~~
31 ~~the Governor and the Legislature no later than February 1 of each~~
32 ~~year.~~

33 ~~(e) The commission shall post the report required by subdivision~~
34 ~~(b) in a conspicuous area of its Internet Web site.~~

35 ~~SEC. 27. The heading of Article 11 (commencing with Section~~
36 ~~910) is added to Chapter 4 of Part 1 of Division 1 of the Public~~
37 ~~Utilities Code, to read:~~

38
39 **Article 11. Reports**
40

1 ~~SEC. 28.~~ Section 911 is added to the Public Utilities Code, to
2 read:

3 ~~911. (a) The commission shall, on an annual basis by February~~
4 ~~1 of each year, prepare and submit to the policy and fiscal~~
5 ~~committees of the Legislature a written report summarizing the~~
6 ~~following information:~~

7 ~~(1) All electrical corporation revenue requirement increases~~
8 ~~associated with meeting the renewables portfolio standard, as~~
9 ~~defined in Section 399.12, including direct procurement costs for~~
10 ~~eligible renewable energy resources and renewable energy credits,~~
11 ~~administrative expenses for procurement, expenses incurred to~~
12 ~~ensure a reliable supply of electricity, and expenses for upgrades~~
13 ~~to the electrical transmission and distribution grid necessary to~~
14 ~~delivery electricity from eligible renewable energy resources to~~
15 ~~load.~~

16 ~~(2) All cost savings experienced, or costs avoided, by electrical~~
17 ~~corporations as a result of meeting the renewables portfolio~~
18 ~~standard.~~

19 ~~(3) All costs incurred by electrical corporations for incentives~~
20 ~~for distributed and renewable generation, including the~~
21 ~~self-generation incentive program, the California Solar Initiative,~~
22 ~~and net energy metering.~~

23 ~~(4) All cost savings experienced, or costs avoided, by electrical~~
24 ~~corporations as a result of incentives for distributed and renewable~~
25 ~~generation.~~

26 ~~(5) All renewable, fossil fuel, and nuclear procurement costs,~~
27 ~~research, study, or pilot program costs, or other program costs for~~
28 ~~which an electrical corporation is seeking recovery in rates, that~~
29 ~~is pending determination or approval by the commission.~~

30 ~~(6) The decision number for each decision of the commission~~
31 ~~of recovery in rates of costs incurred by an electrical corporation~~
32 ~~since the preceding report.~~

33 ~~(7) Any change in the electrical load serviced by an electrical~~
34 ~~corporation since the preceding report.~~

35 ~~(b) The commission may combine the information required by~~
36 ~~this section with the report prepared pursuant to Section 910.~~

37 ~~SEC. 27. Article 11 (commencing with Section 910) is added~~
38 ~~to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code,~~
39 ~~to read:~~

Article 11. Reports

910. (a) *The commission shall, on an annual basis by February 1 of each year, prepare and submit to the policy and fiscal committees of the Legislature a written report summarizing the following information:*

(1) *All electrical corporation revenue requirement increases associated with meeting the renewables portfolio standard, as defined in Section 399.12, including direct procurement costs for eligible renewable energy resources and renewable energy credits, administrative expenses for procurement, expenses incurred to ensure a reliable supply of electricity, and expenses for upgrades to the electrical transmission and distribution grid necessary to deliver electricity from eligible renewable energy resources to load.*

(2) *All cost savings experienced, or costs avoided, by electrical corporations as a result of meeting the renewables portfolio standard.*

(3) *All costs incurred by electrical corporations for incentives for distributed and renewable generation, including the self-generation incentive program, the California Solar Initiative, and net energy metering.*

(4) *All cost savings experienced, or costs avoided, by electrical corporations as a result of incentives for distributed and renewable generation.*

(5) *All renewable, fossil fuel, and nuclear procurement costs, research, study, or pilot program costs, or other program costs for which an electrical corporation is seeking recovery in rates, that is pending determination or approval by the commission.*

(6) *The decision number for each decision of the commission of recovery in rates of costs incurred by an electrical corporation since the preceding report.*

(7) *Any change in the electrical load serviced by an electrical corporation since the preceding report.*

(b) *The commission may combine the information required by this section with the reports prepared pursuant to Article 16 (commencing with Section 399.11) of Chapter 2.3.*

~~SEC. 29.~~

SEC. 28. Section 1005.1 is added to the Public Utilities Code, to read:

1 1005.1. (a) The commission shall ~~approve~~ *issue a decision on*
2 an application for a certificate within ~~one year~~ *18 months* of the
3 date of filing of the completed application, when ~~all~~ *both* of the
4 following are true:

5 (1) The application is for a certificate for building or upgrading
6 an electrical transmission ~~line~~.

7 ~~(2) The transmission line is needed~~ *line that the commission*
8 *finds necessary* to provide transmission to load centers for
9 electricity generated in a high priority renewable energy zone or
10 is reasonably necessary to facilitate achievement of the renewables
11 portfolio standard established in Article 16 (commencing with
12 Section 399.11) of Chapter 2.3.

13 ~~(3)~~

14 (2) The commission has not expressly found any of the
15 following:

16 (A) That the investment is not reasonable and necessary to
17 maintain or enhance reliability of the transmission grid.

18 (B) That the building or upgrading of the electrical transmission
19 line will not maintain or enhance efficient use of the transmission
20 grid.

21 (C) That the transmission line fails to meet other applicable
22 standards and requirements for approval and construction.

23 ~~(D) That the transmission line threatens substantial harm to the~~
24 ~~environment that necessitates an extension of time~~

25 *(b) An extension of time may be granted by the commission if*
26 *it finds the extension is necessary* for completion of review pursuant
27 to the California Environmental Quality Act (Division 13
28 (commencing with Section 21000) of the Public Resources Code).

29 ~~(b) The commission may, if it finds that the costs were justified~~
30 ~~pursuant to subdivision (a) of Section 454, allow recovery in rates~~
31 ~~of any increase in transmission costs incurred by an electrical~~
32 ~~corporation in planning, designing, and engineering the~~
33 ~~reconfiguration, replacement, expansion, or construction of~~
34 ~~transmission facilities, to the extent that those costs are not~~
35 ~~otherwise authorized for recovery in rates approved by the Federal~~
36 ~~Energy Regulatory Commission.~~

37 ~~SEC. 30.~~

38 *SEC. 29.* No reimbursement is required by this act pursuant to
39 Section 6 of Article XIII B of the California Constitution because
40 certain costs that may be incurred by a local agency or school

1 district will be incurred because this act creates a new crime or
2 infraction, eliminates a crime or infraction, or changes the penalty
3 for a crime or infraction, within the meaning of Section 17556 of
4 the Government Code, or changes the definition of a crime within
5 the meaning of Section 6 of Article XIII B of the California
6 Constitution.

7 With respect to certain other costs, no reimbursement is required
8 by this act pursuant to Section 6 of Article XIII B of the California
9 Constitution because a local agency or school district has the
10 authority to levy service charges, fees, or assessments sufficient
11 to pay for the program or level of service mandated by this act,
12 within the meaning of Section 17556 of the Government Code.

13 ~~SEC. 31.~~

14 *SEC. 30.* (a) The sum of three hundred twenty-two thousand
15 dollars (\$322,000) is hereby appropriated from the Public Utilities
16 Commission Utilities Reimbursement Account to the Public
17 Utilities Commission for additional staffing to identify, review,
18 and approve transmission lines reasonably necessary or appropriate
19 to facilitate achievement of the renewables portfolio standard
20 established in Article 16 (commencing with Section 399.11) of
21 Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code.

22 (b) It is the intent of the Legislature, through the Budget Act or
23 other measure, to appropriate the sum of two million three hundred
24 thirty-nine thousand dollars (\$2,339,000) from the Energy
25 Resources Programs Account to the State Energy Resources
26 Conservation and Development Commission for additional staffing
27 to process applications for certification of powerplants pursuant
28 to Chapter 6 (commencing with Section 25500) of Division 15 of
29 the Public Resources Code.

30 (c) It is the intent of the Legislature, through the Budget Act or
31 other measure, to appropriate the sum of two million five hundred
32 eighty-nine thousand dollars (\$2,589,000) from the Energy
33 Resources Programs Account to the State Energy Resources
34 Conservation and Development Commission for additional staffing
35 to do the following:

36 (1) To prepare, in association with the Department of Fish and
37 Game, one or more natural communities conservation plans for
38 the Mojave and Colorado Desert regions to facilitate the
39 development of renewable electrical generation facilities using
40 solar energy in those regions.

1 (2) To assist the federal Bureau of Land Management in the
2 development of a program environmental impact report to identify
3 appropriate areas, on federal lands within the state, for the
4 development of renewable electrical generation facilities using
5 solar energy.

6 (3) To develop best management practices to facilitate
7 development of renewable electrical generation facilities using
8 solar energy, while minimizing environmental impacts.

9 (d) It is the intent of the Legislature, through the Budget Act or
10 other measure, to appropriate the sum of three million fifty-seven
11 thousand dollars (\$3,057,000) to the Department of Fish and Game
12 for staffing for the Renewable Energy Regulatory Action Team
13 to develop natural communities conservation plans for transmission
14 lines and powerplant sitings.

O